Ensurge Micropower ASA

Fourth Quarter 2023

Interim Report and Financial Statements

ENSURGE™ MICROPOWER

Contents

2 About Ensurge

3 Business Review and Outlook

4 Condensed Consolidated Financial Report as of December 2023

6 Principal Risks

8 Going Concern

9 Ensurge Micropower ASA Group Consolidated Financial Statements

13 Notes to the Consolidated Financial Statements

Locations

Norway — Oslo

Corporate Headquarters
c/o House of Business

Fridtjof Nansens Plass 4
0160 Oslo
Phone: +47 22 42 45 00
Email: info@ensurge.com

USA — San Jose

Global Headquarters

2581 Junction Avenue
San Jose, CA 95134
Phone: +1 408 503 7300

Contact

Terje Rogne
Chairman
terje.rogne@ensurge.com

ensurge.com

About Ensurge

Ensurge is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

Ensurge's innovative solid-state lithium microbattery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable microbatteries for diverse applications.

The Company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

Ensurge Micropower ASA is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.

Business Review and Outlook

Highlights

- In February 2024 Ensurge Micropower ASA produced the world's first functional commercial-scale solid-state lithium microbattery using a 10-micron stainless steel substrate.
- The Ensurge solid state microbattery will transform the market for hearables, wearables and IoT-connected sensors and we will now ramp up the manufacturing capacity to meet demand from partners and customers. The manufacturing will take place in our San Jose facility, and we plan to deliver the 10-micron battery to technology partners and customers in Q1 2024.
- With the technology challenges resolved the company will now turn its focus to revenue growth. First, by delivering samples to its existing customer base and technology partners. Second, by finalizing contracts with the large pipeline of potential customers having approached the company over the last six months.
- The company has developed a simpler and leaner packaging process, resulting in lower production cost and faster cycle time when scaling up. The knowledge gained has enabled us to file more patent applications and strengthen the entry barriers for competitors.
- The company has experienced an extraordinary level of interest and demand across all targeted sectors and has signed several evaluation agreements with leading customers within the wearables, hearables and medical sector.
- The first commercial delivery of the 150,000 unit contract is expected in Q2 2024.
- The company expects to close larger development contracts with partners and customers over the next months where the customer pays a significant USDm up front fee.
- Ensurge aims to become the market leader for power supplies to wearables, hearables and IoT-connected sensors. With a flexible form factor, safety, number of charging cycles, extraordinary pulse rate and power density, our battery fits perfectly into the needs of these customers.
- In November 2023 our battery design was recognized by the U.S. Department of Energy's (DOE) Microbattery Design Competition.
- In December 2023 we received notification that a further three patents would be issued by the US Patent Office, making it 4 out of 4.
- In early February 2024, the company attended the Medical Battery Conference in Anaheim, California, and received significant interest from a wide variety of companies in the medical space.

Condensed Consolidated Financial Report as of December 2023

Profit and loss

Ensurge recognized USD 213 thousand in revenue and other income in 2023 and zero revenue and other income for the same period in 2022.

Operating costs amounted to USD 13,338 thousand during 2023, including the notional cost of share-based compensation of USD 828 thousand. The corresponding figures for 2022 were USD 19,978 thousand and USD 3,259 thousand, respectively. The decrease in operating costs, USD 6,640 thousand, was primarily attributable to decreases in payroll costs and share-based compensation. The expenses by major category are as follows:

1 USD 3,635 thousand lower payroll cost.

2 USD 2,431 thousand lower employee share-based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.

3 USD 574 thousand lower other expenses.

The Company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. The Company increased spending in the operations area in support of R&D samples and production readiness. Depreciation and amortization charges in 2023 amounted to USD 543 thousand, compared to USD 402 thousand incurred in 2022.

Due to the change in strategy, the production-related assets were fully impaired in 2019. In the event of a future change in circumstances, e.g., a change in strategy or market prospects, impairments may be reversed in part or in full, if a higher asset value can be defended.

Net financial items for 2023 amounted to an expense of USD 3,236 thousand (2022: USD 2,988 thousand expense).

Net financial items for 2023 were primarily interest expense of USD 3,438 thousand (2022: USD 3,728 thousand) related to debt and financial lease included in the Company's balance sheet offset by net realized and unrealized currency gain changes in the fair value of the derivative liability. (See Note 5.)

The Company operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries. The parent company in Norway has not incurred any tax during 2023 or 2022.

The net loss in for 2023 was USD 16,904 thousand, corresponding to a basic loss per share of USD 0.02. For 2022, the net loss was USD 23,369 thousand, corresponding to a basic loss per share of USD 0.11.

Cash flow

The group's cash balance decreased by USD 1,172 thousand in 2023, compared to a decrease of USD 1,890 thousand during 2022. The net decrease in cash is explained by the following principal elements:

1 USD 12,726 thousand outflow from operating activities,

2 USD 168 thousand outflow from investing activities, and

3 USD 11,722 thousand inflow from financing activities.

The USD 12,726 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation and amortization expenses of USD 13,125 thousand. The cash balance on 31 December 2023 amounted to USD 3,791 thousand, while the cash balance on 31 December 2022 equaled USD 4,963 thousand. The cash balances include restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micropower ASA to the landlord of the San Jose, California facility. (See Note 11.)

Balance sheet

Non-current assets at 31 December 2023 amounted to USD 2,439 thousand (31 December 2022: USD 2,743 thousand).

Trade and other receivables amounted to USD 863 thousand as of 31 December 2023 (31 December 2022: USD 868 thousand).

Current liabilities as of 31 December 2023 includes USD 1,408 thousand in short term convertible debt (31 December 2022: USD 3,915 thousand).

Non-current liabilities as of 31 December 2023 totaled USD 13,267 thousand (31 December 2022: USD 16,209 thousand) and relates to future lease payments for the Junction Avenue, San Jose, California premises and long-term debt relating to an equipment term loan facility with Utica.

The equity ratio was negative 173% as of 31 December 2023, versus negative 189% as of 31 December 2022.

Principal Risks

Ensurge's restructuring and refocus on microbattery technology has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 31 December 2023, the Company had a cash balance of approximately USD 3.8 million, including restricted cash of USD 1.6 million.

Ensurge's predominant risks are financial, technical/operational, as well as geopolitical and market risks, as summarized below:

Financial risks

Ensurge is exposed to financial risks related to fluctuations in foreign exchange rates, interest rates, raw material prices which may affect revenues and cost and profitability. Furthermore, the performance of stock market and stocks as investments will influence the share price and ability to attract funding and the terms of such.

As Ensurge is progressing towards delivering product samples with no major income stream supporting it, liquidity becomes a strain. Hence, there is a risk of not being able to pay employees and suppliers and thereby ceasing activities. Reference is made to the Going Concern section for more details.

Technical risks

Currently, technology development and engineering sample availability on Ensurge's sheet line, as well as technology transfer and scale-up activities related to Ensurge's roll-to-roll line, can be adversely affected by several factors including but not limited to:

- Quality, composition, and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes that are key to core battery performance, resulting in longer than planned learning cycles and corrective actions.
- Requisite environmental control of the manufacturing and storage area.
- Equipment reliability, modifications needed, and process optimization may limit uptime, throughput and quality of devices produced.
- Issues encountered during handling, processing, and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.
- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On-site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena requiring process or mechanical handling changes on the manufacturing line.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.

To a certain extent, Ensurge is dependent on continued collaboration with technology, materials, and manufacturing partners. There may be process and product development risks that arise related to time-to-development and cost competitiveness of the energy storage products Ensurge is developing.

Operational risks

Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain enough components and other materials necessary to produce could result in reduced or delayed sales or lost orders.

Our business results depend on our ability to successfully manage ongoing organizational changes. Our financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to our business success. Factors that may affect our ability to attract and retain talented leadership, key individual contributors, and enough qualified employees include:

- Employee morale,
- Our reputation,
- Competition from other employers, and
- Availability of qualified personnel.

Our success is dependent on identifying, developing, and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth of skilled or experienced employees may be limited and competition for these resources is intense.

Geopolitical risks

Uncertain global economic conditions adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, causing delays in market traction adversely impacting our business.

The current slowdown in the global economy — driven by many factors such as the Russia-Ukraine war, inflation, slow demand and tighter monetary policies — affect everyone.

Extended lead times on custom equipment for R2R due to the current political/economic situation in Europe as well as overall supply issues could impact our ability to scale production in the future.

Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia. Increased geopolitical tensions may affect our supply chain.

Climate change risks

Climate change related risks comprise climate related physical events that may impact the integrity of Ensurge's assets (physical risks), as well as strategic challenges arising from climate related policies, regulations and customers' demand for zero or low-emission solutions (transition risks).

Physical risks could result from climate related acute and/or chronic changes in rainfall patterns, flooding, shortages of water or other natural resources, variations in sea levels, storm patterns and intensities as well as temperatures.

Transition risks could result from an increased demand for low-carbon products and solutions, higher costs for greenhouse gas emissions and production inputs, as well changes to market prices for raw material and components.

Market risks

We cannot predict the size or growth rate of the markets we operate in, or the market share we will achieve or maintain in the future. Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets.
- Our ability to address the needs (price, performance and preference) of these markets; and
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.
- Many of the markets that Ensurge targets will require time to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:
- Our growth targets depends on successful innovation in response to competitors and changing consumer habits.
- Our revenues are dependent on pace of technology evaluation and product qualification activities at our customers (OEMs), and delays in battery or end-product qualification or changes to production schedules may affect the quantity and timing of purchases from Ensurge. Such delays are generally outside of Ensurge's control.

The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations.

Going Concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption.

The board is actively seeking additional funding of its operations from the capital market and from customers and technology partners. Based on the recent achievement of successfully manufacturing our microbatteries on 10-micron stainless steel substrate, the board is confident that additional funding will be obtained.

The Company will also be seeking other sources of financing to continue operations.

However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as a going concern.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has undertaken the following initiatives:

- In December 2023, the Company completed funding of NOK 47.5 million through a private placement and a subsequent offering of NOK 12.5 million. The subsequent offering was five times oversubscribed.
- Furthermore a convertible loan of NOK 11.5 million, falling due 10 November 2024 was approved at the same EGM. This is made of up of NOK 7 million extended from the "old" loan, as initially issued at the EGM on 17 August 2022, and NOK 4.5 million in a "new" loan. The loans have identical terms with respect to tenure and conversion price.
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitment
- Monitoring and reviewing opportunities for lease financing related to equipment purchases
- Actively seeking opportunities for contracted manufacturing services, increasing the utilization of manufacturing space and equipment thereby creating recurring monthly income for the company.
- Seeking US government grants
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources; and
- Actively exploring options to raise equity to fund operations beyond second quarter 2024; and
- Exploring options for financing of increased working capital requirements as a result of the planned manufacturing ramp-up.
- Engaging with technology partners concerning technology licensing agreements.

The Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Ensurge has successfully completed three private placements and one convertible loan financing in the past eighteen months. Despite the material uncertainty to whether the group will be able to successfully raise funds as planned, the Board has concluded that the Company is not in a situation where there is no realistic alternative to continue as going concern and hence it is found appropriate to prepare the interim financial statements on the going concern basis.

Ensurge Micropower ASA Group
Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 October to 31 December 2023	1 October to 31 December 2022	1 January to 31 December 2023	1 January to 31 December 2022
Sales revenue		94	—	138	—
Other income		75	—	75	—
Total revenue & other income		**169**	**—**	**213**	**—**
Operating costs	3,4	(2,737)	(3,937)	(13,338)	(19,978)
Depreciation and amortization		(144)	(146)	(543)	(402)
Operating profit (loss)		**(2,712)**	**(4,083)**	**(13,668)**	**(20,380)**
Net financial items	5	(510)	(2,785)	(3,236)	(2,988)
Profit (loss) before income tax		(3,222)	(6,868)	(16,904)	(23,369)
Income tax expense		—	—	—	—
Profit (loss) for the period		**(3,222)**	**(6,868)**	**(16,904)**	**(23,369)**
Profit (loss) attributable to owners of the parent		**(3,222)**	**(6,868)**	**(16,904)**	**(23,369)**
Profit (loss) per share basic and diluted	6	(USD 0.001)	(USD 0.02)	(USD 0.02)	(USD 0.11)
Profit (loss) for the period		(3,222)	(6,868)	(16,904)	(23,369)
Currency translation		—	—	—	—
Total comprehensive income for the period, net of tax		**(3,222)**	**(6,868)**	**(16,904)**	**(23,369)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2023	31 December 2022
ASSETS	7		
Non-current assets			
Property, plant and equipment	8	1,865	2,169
Other financial receivables	9	574	574
Total non-current assets		**2,439**	**2,743**
Current assets			
Trade and other receivables	9	863	868
Cash and cash equivalents (i)	11	3,791	4,963
Total current assets		**4,654**	**5,832**
TOTAL ASSETS		**7,093**	**8,575**
EQUITY	10		
Total shareholder's equity		**(12,297)**	**(16,246)**
LIABILITIES	7		
Non-current liabilities			
Long-term debt	11	5,419	6,750
Long-term financial lease liabilities	11,12	7,848	9,459
Total non-current liabilities		**13,267**	**16,209**
Current liabilities			
Trade and other payables		1,678	2,511
Current portion of long-term debt	11	1,426	748
Short-term financial lease liabilities	11,12	1,611	1,438
Derivative & short-term convertible debt	11,13	1,408	3,915
Total current liabilities		**6,123**	**8,612**
TOTAL EQUITY AND LIABILITIES		**7,093**	**8,575**

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micropower ASA to the landlord of the San Jose, California facility.

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Other reserves	Currency translation	Retained earnings	Total
Balance at 1 January 2023	**26,911**	**38,071**	**31,968**	**(13,801)**	**(99,396)**	**(16,247)**
Reduction of share capital by reduction of PAR	(20,605)	(38,070)	—	—	58,675	—
Share based compensation	-	816	—	—	—	816
Private placements	20,764	(846)	—	—	—	19,918
Employee share purchase plan	119					119
Comprehensive income	—	—	—	—	(16,904)	(16,904)
Balance at 31 December 2023	**27,189**	**756**	**31,968**	**(13,801)**	**(57,625)**	**(12,297)**
Balance at 1 January 2022	**21,730**	**22,649**	**31,968**	**(13,801)**	**(76,027)**	**(13,481)**
Share based compensation	-	3,506	—	—	—	3,506
Private placements	5,161	11,812	—	—	—	16,973
Stock rights exercise	20	104	-	-	-	124
Comprehensive income	—	—	—	—	(23,369)	(23,369)
Balance at 31 December 2022	**26,911**	**38,071**	**31,968**	**(13,801)**	**(99,396)**	**(16,247)**

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 October — 31 December 2023	1 January - 31 December 2023	1 October — 31 December 2022	1 January - 31 December 2022
CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) before tax		(3,222)	(16,904)	(6,868)	(23,369)
Share-based payment (equity part)		(333)	816	58	3,506
Depreciation and amortization	8,12	144	543	145	402
Changes in working capital and non-cash items		431	(418)	2,881	58
Net financial items		510	3,236	2,785	2,988
Net cash from operating activities		**(2,469)**	**(12,726)**	**(999)**	**(16,414)**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	8	(43)	(247)	13	(557)
Proceeds from sale of fixed assets		8	8	—	22
Interest received		8	71	33	49
Net cash from investing activities		**(27)**	**(168)**	**46**	**(486)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares	10	5,108	14,457	2,328	17,098
Proceeds from liquidity loan		—	1,701	—	—
Proceeds from issuance of convertible debt		—	—	—	4,773
Interest paid	12	(606)	(2,319)	(441)	(2,320)
Lease payments	12	(690)	(2,117)	(657)	(4,540)
Net cash from financing activities		**3,811**	**11,722**	**1,230**	**15,010**
Net increase (decrease) in cash and bank deposits		**1,315**	**(1,172)**	**276**	**(1,890)**
Cash and bank deposits at the beginning of the period		2,476	4,963	4,687	6,853
Cash and bank deposits at the end of the period (i)		**3,791**	**3,791**	**4,963**	**4,963**

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Ensurge Micropower ASA to the landlord of the San Jose, California facility.

Notes to the Consolidated Financial Statements

1. Information about the group

Ensurge Micropower ASA ("Ensurge" or "the Company") was founded as Thin Film Electronics AS ("Thinfilm") on 22 December 2005 and was renamed to Ensurge Micropower. Ensurge Micropower ASA Group ("Ensurge") consists of the parent company Ensurge ASA and the subsidiaries Ensurge Micropower Inc. ("Ensurge Inc.") and TFE Holding ("Thinfilm Holding.") The group was formed on 15 February 2006, when Thin Film Electronics ASA purchased the business and assets, including the subsidiary Thinfilm Electronics AB, from Thin Film OldCo AS ("OldCo").

The objectives of the Company shall be the commercialization, research, development and production of technology and products related to solid-state lithium batteries. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

The Company is a public limited-liability company incorporated and domiciled in Norway. The address of its registered office is Fridtjof Nansens Plass 4, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Ensurge's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. On 23 June 2020 the Company's US listing transferred to the OTCQB Venture Market. The Company's shares, listed on Oslo Børs in Norway, trade under the symbol ENSU. The Company's ADRs, listed on OTCQB in the United States, trade under the symbol ENMPY.

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for 2023 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2022. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2022. The interim financial statements have not been subject to audit.

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. The board is actively seeking additional funding of its operations from the capital market and from customers and technology partners. Based on the recent achievement of successfully manufacturing our microbatteries on 10-micron stainless steel substrate, the board is confident that additional funding will be obtained.

The latest round of financing in Q4 2023 (including the subsequent offering) secured funding well into Q1 2024. However, as funding is not secured for the next 12 months, a material uncertainty exists as to whether the Company and group will continue as going concern. The Company and group are dependent to successfully raise funds as planned. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditures and cash flow. Refer to the Principal Risks and Going Concern sections of this Interim Report.

The report was resolved by the Ensurge Micropower ASA Board of Directors on 19 February 2024.

3. Operating costs

Amounts in USD 1,000	1 January — 31 December 2023	1 January — 31 December 2022
Payroll	5,293	8,927
Share-based remuneration	828	3,259
Services	2,237	1,985
Premises, supplies	3,706	4,614
Sales and marketing	299	117
Other expenses	976	1,076
Total operating costs	**13,338**	**19,978**

4. Related party transactions

In 2023 and 2022, Ensurge recorded USD 493 thousand and USD 390 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which one of Ensurge's board members is a partner.

In 2023 and 2022, Ensurge recorded USD 139 thousand and USD 241 thousand for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

In 2023, Ensurge recorded USD 214 thousand for executive consulting services provided by Mark Newman, a former board member.

In 2023, Ensurge recorded USD 285 thousand for executive consulting services provided by Lars Eikeland.

In 2023, Ensurge recorded USD 167 thousand for consulting services from Admaniha AS, in which one of Ensurge's board members is the owner.

As of 31 December 2023, the portion of 'Trade and other payables' attributable to related parties is USD 153 thousand.

5. Net financial items

	1 January — 31 December 2023	1 January — 31 December 2022
Interest income	71	49
Interest expense	(3,438)	(3,728)
Net realized and unrealized currency gain/(loss)	349	(609)
Change in fair value of derivative liability	(123)	1,300
Other expenses	(95)	—
Net financial items	**(3,236)**	**(2,988)**

6. Profit (loss) per share

	1 January – 31 December 2023	1 January – 31 December 2022
Profit (loss) attributable to shareholders (USD 1000)	(16,904)	(23,369)
Weighted average basic number of shares in issue	1,131,638,834	215,182,212
Weighted average diluted number of shares	1,131,638,834	215,182,212
Profit (loss) per share, basic and diluted	**(USD 0.02)**	**(USD 0.11)**

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

7. Guarantees

As a part of the relocation of Ensurge's US headquarters in 2017, a USD 1,600 thousand Letter of Credit has been issued by Ensurge Micropower ASA to the landlord. Ensurge Micropower ASA has, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2023, the guarantee liability amounted to USD 2,000 thousand.

8. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 December 2023	
Net book value on 1 January 2023	2,169
Additions	247
Disposals	(8)
Depreciation	(543)
Net book value on 31 December 2023	**1,865**
Period ended 31 December 2022	
Net book value on 1 January 2022	2,033
Additions	556
Disposals	(18)
Depreciation	(402)
Net book value on 31 December 2022	**2,169**

9. Trade and other receivables

Amounts in USD 1,000	31 December 2023	31 December 2022
Customer receivables	171	149
Other receivables, prepayments	813	844
Less: provision for impairment of receivables and prepayments	(121)	(125)
Sum	**863**	**868**

Other non-current financial receivables of USD 574 thousand relates to security deposit held by Utica Leaseco, LLC.

10. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2023	244,228,498
Shares at 31 December 2023	**2,459,688,858**
Shares at 1 January 2022	194,055,317
Shares at 31 December 2022	**244,228,498**

On 14 March 2023, the EGM approved a proposal that the Group's employees shall be given a choice on whether to receive subscription rights instead of a set percentage of the employees' base pay, maximized to 20% of the salary, over the next six months; provided, however, that such conversion is obligatory for executive officers in respect of minimum 20% (and maximum 50% if chosen by the executive) of their cash salary over such period. The EGM approved a proposal that subscription rights may be granted under the 2022 Plan, to employees in the Group who wish or have committed to participate in this arrangement. The subscription rights would be issued on essentially the same terms as other subscription rights issued under the 2022 Plan but would vest 100% after a period of six months following the date of grant, and the subscription amount to be paid upon vesting, would be made by the Company from the cash salary payment that otherwise would have been payable had they not participated in the arrangement.

On 14 March 2023, the EGM approved a modification to the 2022 Subscription Rights Plan. Under the 2022 Subscription Rights Plan, the Board may issue subscription rights which vest 100% and become exercisable six months following the date of grant, and whereafter the exercise deadline shall be 90 days following the date of vesting. The exercise price and payment to be made upon issuance of shares in case of the above, shall be paid by the Company from the sum initially withheld from the respective employee's claim for cash consideration. In case the employee resigns or is terminated from employment prior to the 6-month vesting date, or if the employee for whatever reason does not timely exercise his or her subscription rights, the employee would lose entitlement to (i) exercise the subscription rights or (ii) claim any payment of the agreed deduction amount from their cash salary. For the avoidance of doubt, any issuances of subscription rights in case of the above, shall be in accordance with this resolution and the 2022 Subscription Rights Plan as a whole; provided, however, that the Board is given discretion to make amendments to the terms outlined in this paragraph in such case amendments are determined to be necessary or advisable with respect to applicable US law or tax legislation.

On 14 March 2023 the EGM approved a private placement totaling 500,000,000 shares at a subscription price of NOK 0.10 per share, resulting in gross proceeds of NOK 50 million. On 14 March 2023, the EGM approved a reduction in par value from NOK 0.99 to NOK 0.10 per share.

On 15 June 2023, the Company announced the completion of a private placement of 74,422,849 shares (Tranche 1) and an allocation of 409,817,412 shares (Tranche 2) at a subscription price of NOK 0.10 per share, for gross proceeds of approximately NOK 48.4 million.

On 31 August 2023, the Company announced the conversion of convertible loans, plus accrued interest, totaling NOK 41,844,906.80 into 418,449,068 shares at a price of NOK 0.10 per share. (See Note 13.)

On 31 August 2023, the Company announced that the board of directors considered the oversubscriptions of the private placement and resolved to issue a total of 200,000,000 share at a subscription price of NOK 0.10 per share to eligible shareholders who subscribed based on subscription rights and eligible shareholders who oversubscribed.

On 4 September 2023, the Company announced the issuance of 12,771,031 ordinary shares at NOK 0.10 per share to employees and contractors in the Company who participate in the Company's 2023 Employee Share Purchase Plan ("ESPP"). The ESPP was approved by the annual general meeting on 24 May 2023.

On 18 October 2023, the Company announced the completions of a private placement of shares, through an allocation of 122,846,875 new shares in Tranche 1 and an allocation of 352,153,125 new shares in Tranche 2, for total gross proceeds of approximately NOK 47.5 million. The share capital increase associated with Tranche 1 was duly registered in the Register of Business Enterprises on 20 October 2023. The share capital increase associated with Tranche 2 was duly registered in the Register of Business Enterprises on 13 November 2023.

On 18 November 2023, the Company announced the issuance of 86,320,000 subscription rights to its US employees and the CEO/CFO Lars Eikeland. The grants were made under the Company's 2023 incentive subscription rights plan.

On 17 December 2023, the Company announced the issuance of 125,000,000 ordinary shares (subsequent offering) at a subscription price of NOK 0.10 per share to eligible shareholders.

	Date	Number of shares	Price per share
Private placement	14 March 2023	500,000,000	0.10
Private placement	19 June 2023	74,422,849	0.10
Private placement	21 July 2023	409,817,412	0.10
Employee share purchase	3 September 2023	12,771,031	0.10
Convertible loan conversion	5 September 2023	418,449,068	0.10
Private placement	5 September 2023	200,000,000	0.10
Private placement	20 October 2023	122,846,875	0.10
Private placement	13 November 2023	352,153,125	0.10
Private placement	21 December 2023	125,000,000	0.10
Shares issued in 2023		**2,215,460,360**	

Number of warrants	1 January — 31 December 2023	1 January — 31 December 2022
Warrants opening balance	—	18,518,518
Allotment of warrants	—	—
Exercise and expiry of warrants	—	(18,518,518)
Warrants closing balance	**0**	**0**

Number of subscription rights	1 January — 31 December 2023	1 January — 31 December 2022
Subscription rights opening balance	23,070,107	21,278,803
Grant of incentive subscription rights	231,854,323	3,101,502
Terminated, forfeited and expired subscription rights	(13,969,757)	(572,200)
Exercise of subscription rights	—	(737,998)
Subscription rights closing balance	**240,954,673**	**23,070,107**

	Date	Subscription Rights	Price	Vesting	Expiration
2023					
Board members	4 May 2023	10,000,000	0.100	Fully vested at grant date	25 May 2027
	24 May 2023	37,211,424	0.100	1/3 immediately, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
	11 July 2023	10,000,000	0.100	1/3 immediately, but aren't exercisable for 1 year, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
	11 July 2023	10,000,000	0.100	20% after 1 year, 30% after 2 years, 50% after 3 years	24 May 2028
	30 August 2023	45,134,466	0.100	1/3 immediately, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
Employees	4 May 2023	20,778,433	0.183	50% per year	25 May 2027
	4 May 2023	2,410,000	0.183	100% over 6 months	25 May 2027
	18 November 2023	50,700,000	0.100	1/3 immediately, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
	18 November 2023	5,620,000	0.100	31 December 2024	24 May 2028
Consultants	29 August 2023	10,000,000	0.100	1/3 immediately, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
	18 November 2023	30,000,000	0.100	1/3 immediately, 1/3 after 1 year, 1/3 after 2 years	24 May 2028
Grants of subscription rights in 2023		**231,854,323**			
2022					
Board members	25 May 2022	2,000,000	2.50	12.5% per quarter	25 May 2027
Employees	1 January 2022	90,002	6.30	50% per year	3 June 2026
	3 May 2022	161,500	3.64	50% per year	3 June 2026
	25 August 2022	850,000	3.43	50% per year	25 May 2027
Grants of subscription rights in 2022		**3,101,502**			

11. Current and long-term debt

In September 2019, the subsidiary in US, Ensurge Micropower, Inc., closed an equipment term loan facility with Utica for USD 13,200 thousand secured by fixed assets (see Note 8).

On 7 November 2022, the Company consolidated and re-amortized the Master Lease Agreement and three amendments with Utica. In connection with the new arrangement, the company has pledged additional collateral to secure the amended payment terms. In addition to the existing collateral pledge, Ensurge has pledged all remaining unsecured equipment located in the San Jose, California facility. Further, Utica has taken a first security position in certain of Ensurge Micropower ASA's intellectual property. At 31 December 2023, the current portion of the loan principal is USD 1,426 thousand. The long-term portion of the principal of USD 5,419 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The Company has pledged its roll-to-roll production line equipment and sheet-line tools as collateral against the Utica loan. Book value of assets pledged is USD 1,865 thousand.

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. As a part of the relocation of Ensurge's US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Ensurge Micropower ASA to the landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company's cash and cash equivalents. Ensurge Micropower ASA, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2023, the guarantee liability amounted to USD 2,000 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 12. The interest rate for the financing is at 17%. The table below discloses principal payment obligations for the company.

Maturity schedule — liabilities

31 December 2023	Q1 24	Q2 24	Q3 24	Q4 24	2025	2026	2027	2028
Principal obligations due	319	339	360	382	1,785	2,274	1,361	—
Convertible debt obligations due	—	—	—	1,130	—	—	—	—
Interest payments	411	391	370	448	1,136	647	99	—
Lease payments	557	557	557	573	2,311	2,378	2,447	1,875
Total current and long-term debt	**1,287**	**1,287**	**1,287**	**2,533**	**5,232**	**5,299**	**3,907**	**1,875**

12. Right-of-use

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, CA. The lease in San Jose expires in September 2028. The borrowing rate applied in discounting of the nominal lease debt is 7.25%. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

	Lease liability
Lease liability recognized at 1 January 2023	10,897
Lease payment (see note below)	(2,181)
Interest expense	744
Lease liability as of 31 December 2023	**9,459**

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 1,438 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 744 thousand. Both of them are presented as cash flow from financing activities.

For maturity schedule of minimum lease payments, see Note 11.

13. Convertible debt

On 25 July 2022, the Company announced that it secured funding totaling NOK 57 million. Of this amount, NOK 46.7 million represented commitments to subscribe for convertible loans. The convertible loans were approved at the EGM held 17 August 2022. The convertible loans were repayable 17 August 2023 and the lenders were entitled at any time after 17 February 2023 to convert the loans into shares in the Company at a conversion price of NOK 3.00. The convertible loans carry interest at the rate of 5% per annum.

At the EGM on 11 July 2023, the shareholders approved amendments to the terms and conditions of the convertible loans as follows: (i) the conversion price was amended to NOK 0.10 per share provided the loan holder converted its convertible loan on or before 17 August 2023; (ii) the accrued interest on the convertible loans was made convertible on the same terms as the principal amount; and (iii) the maturity date for the convertible loan was extended until 17 August 2024 with interest accruing at 5% per annum for such extended loan period; provided, however, that if the loan holder did not convert its convertible loan on or before 17 August 2023, the conversion price would be NOK 0.15 per share and conversion could only be undertaken in the period between 17 January 2024 and the maturity date on 17 August 2024.

Lenders of an aggregated total of NOK 39.8 million of the principal amount of the convertible loans requested that their part of the convertible loan, plus accrued interest, be converted into shares in the Company on the terms resolved by the EGM.

The Board resolved on 30 August 2023 to approve the conversion of convertible loans, plus accrued interest, in the total amount of NOK 41.8 million to shares in the Company at a conversion price of NOK 0.10, by issuance of a total of 418,449,068 new shares in the Company.

At the EGM on 10 November 2023, the shareholders approved a new convertible loan in the amount of NOK 4.5 million. The new loan interest rate is 5% per annum and shall be repaid (unless the loan has been converted into shares) on 10 November 2024. The conversion price per share, prior to maturity, is NOK 0.105.

At the EGM on 10 November 2023, the shareholders approved amending the terms and conditions of the existing outstanding convertible loan (as issued on 17 August 2022). The conversion price changed from NOK 0.15 to NOK 0.105 and the maturity date was updated to 10 November 2024.

As of 31 December 2023 the outstanding convertible loans amount to USD 1,184 thousand.

Liquidity loans totaling USD 1,701 thousand were obtained during the first seven months of 2023. The interest rate was 12% per annum. As resolved by the EGMs on 14 March and 11 July 2023, and as part of Tranche 2 of the private placements announced on 15 February and 15 June 2023, respectively, the subscription amount in Tranche 2 of such placements for the lenders of the liquidity loans was settled by set-off against the liquidity loan debt obligation.

The convertible loans are denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that were received by the Company were not fixed and varied based on foreign exchange rates. A portion of the loans, the conversion feature, is a derivative required to be recognized and measured at fair value at each reporting period. Any changes in fair value in the convertible loans from period to period is recorded as a non-cash gain or loss in the consolidated statements of comprehensive income, in accordance with IFRS 9. The convertible loans, including accrued interest, are classified as short-term liability at amortized cost. The conversion feature derivative liability is classified as short-term held-for-trading liability. The derivative liability is measured using Black Scholes valuation model.

	31 December 2023	31 December 2022
Short term debt	$1,130	$3,692
Derivative liability	448	223
Accrued interest	54	86
Conversion price*	NOK 0.105	NOK 3.00
Interest rate	5%	5%
Maturity date*	10 November 2024	17 August 2023

*New loan terms revised per the EGM held 10 November 2023.

14. Events occurring after the balance sheet date

On 17 January 2024, Ensurge Micropower announced that it has received notices of allowance for two additional patents which we expected to be issued in Q1 2024. Filed in 2020, the patent applications cover the core technology of battery stacking and engineered electrolytes. Ensurge's patents cover four innovation pillars which include use of an ultrathin 10 µm steel substrate, the ability to stack and package core battery cells on this substrate, an anodeless solid-state lithium chemistry, and the use of a proven and scalable roll-to-roll process for manufacturing the batteries. Ensurge has nine battery patents pending.

On 15 February 2024 Ensurge Micropower announced that it has successfully manufactured functional solid state microbatteries consisting of stacked cells on 10-micron substrates. The Company will immediately start ramping up the manufacturing capacity in order to meet the demand from partners and customers. The Ensurge 10-micron microbattery is expected to transform the battery market for wearables, hearables and connected sensors.