Ensurge Micropower ASA

# First Quarter 2024

## Interim Report and Financial Statements

ENSURGE™
MICROPOWER

## Contents



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# 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

- To be in the forefront of any technology race can be painful, but we were able to overcome the challenges and announced on 15 February 2024, that we had manufactured a functional Solid-State Lithium Microbattery (SSLB) on a 10 µm stainless steel substrate.
- On 22 April 2024 we further announced that we shipped the first 10 µm multi-layer SSLBs to our strategic partners and customers for testing. This milestone is Ensurge's "moon landing" moment for the 10 µm SSLB. We have proven the technology first to ourselves and are now sending samples with confidence to our strategic partners and key customers.
- Despite limited sales efforts we have built a pipeline of 80+ sales prospects, having so far signed 10+ evaluation agreements across all the industry sectors our Solid State Lithium Microbatteries (SSLB) addresses. This tells us that there is an unsated demand for our groundbreaking SSLBs.
- We raised altogether NOK 58 million (USD 5.4 million) in equity in Q1 2024.

## Outlook

Our strategy is to concentrate on our core competence — develop and commercialize groundbreaking battery technologies and being the best battery technology incubator.

Ensurge is now transitioning from a purely research and development entity into a fully operational manufacturing line in San Jose, CA, where we are positioned to engage in production and direct sales. We are currently shipping sample batteries for testing by our customers and technology partners and will commence deliveries on production order during the summer.

Serving a select customer base with innovative solutions to challenging requirements will not only bolster our capabilities but also ensure we maintain the crucial feedback loop that direct customer interactions provide.

The markets for our SSLBs expand rapidly as demand for advanced electronics increases. These electronics face multifaceted challenges, particularly in design and mobility. There is a drive towards miniaturization, coupled with accommodating new, energy-intensive functionalities. Security is paramount, and increasing reliance on AI and machine learning requires devices to process and provide refined data, enhancing the predictive capabilities of GPU-driven systems. These developments strain the capabilities of existing Li-ion battery technology. We plan to achieve market penetration through strategic partnerships, as well as licensing and royalty agreements.

Our first generation of SSLB is designed for IoT devices with space constraints, and will be surface-mounted. The technology's superior volume energy density, charging capacity, and safety features present a transformational and affordable alternative to traditional Li-ion batteries. Our patent filings will further allow us to integrate our solid-state battery technology into coin cell battery-ready electronics.

Having solved the complex manufacturing challenges associated with SSLB, we are now able to expand our technology roadmap beyond the current generation. While maintaining our focus on immediate goals, we have started developing the subsequent phases of our strategy. These advancements promise significant enhancements in energy density and cost reductions, making the broader electronics market a feasible target for our technology.

For more information you can view our Investor presentation, which can be found on our website, ensurge.com/investors/webcast-presentations.

# Condensed Consolidated Financial Report as of March 2024

## Profit and loss

Ensurge recognized USD 20 thousand in revenue and other income in first three months of 2024 and zero revenue and other income for the same period in 2023.

Operating costs amounted to USD 3,278 thousand during the first three months of 2024, including the notional cost of share-based compensation of USD 221 thousand.

The corresponding operating costs for the first three months of 2023 were USD 2,995 thousand and USD 326 thousand, respectively. The increase in operating costs, USD 282 thousand, was primarily attributable to an increase in payroll costs. The expenses by major category are as follows:

1. USD 463 thousand higher payroll cost. Adjusted for the reversal of bonus accrual of USD 635 thousand in 2023, the payroll cost is USD 172 thousand lower year-on-year.
2. USD 105 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 76 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 the first three months of 2024 amounted to USD 145 thousand, compared to USD 127 thousand incurred in the first three months of 2023.

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 the first three months of 2024 amounted to an expense of USD 356 thousand (first three months of 2023: USD 418 thousand expense).

Net financial items for the first three months of 2024 were primarily interest expense of USD 627 thousand (first three months of 2023: USD 966 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 2024 or 2023.

The net loss in for the first three months of 2024 was USD 3,759 thousand, corresponding to a basic loss per share of USD 0.007. For the first three months of 2023, the net loss was USD 3,540 thousand, corresponding to a basic loss per share of USD 0.07. The weighted average basic number of shares used to calculate the loss per share have been adjusted to reflect the 5:1 share consolidation completed 5 April 2024.

## Cash flow

The group's cash balance increased by USD 1,102 thousand in the first three months of 2024, compared to a decrease of USD 180 thousand during the first three months of 2023. The net increase in cash is explained by the following principal elements:

1. USD 3,290 thousand outflow from operating activities,
2. USD 25 thousand outflow from investing activities, and
3. USD 4,418 thousand inflow from financing activities.

The USD 3,290 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation and amortization expenses of USD 3,258 thousand. The cash balance on 31 March 2024 amounted to USD 4,893 thousand, while the cash balance on 31 March 2023 equaled USD 4,783 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 March 2024 amounted to USD 2,341 thousand (31 March 2023: USD 2,626 thousand).

Trade and other receivables amounted to USD 586 thousand as of 31 March 2024 (31 March 2023: USD 1,004 thousand).

Current liabilities as of 31 March 2024 includes USD 1,657 thousand short term financial lease liabilities and USD 978 thousand in short term convertible debt (31 March 2023: USD 1,480 thousand short term financial lease liabilities and USD 3,826 thousand in short term convertible debt).

Non-current liabilities as of 31 March 2024 totaled USD 12,427 thousand (31 March 2023: USD 15,473 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 Leaseco, LLC (Utica).

The equity ratio was negative 130% as of 31 March 2024, versus negative 176% as of March 2023.

# Principal Risks

Ensurge is exposed to various risks of a financial and operational nature.

The Company's predominant risks are financial, technical/developmental, as well as other market and business risks.

## Financial risks

Ensurge is exposed to financial risks related to fluctuations in foreign exchange rates, interest rates, and raw material prices which may affect revenues, 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 long 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 (R2R) 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. This risk is now significantly reduced, and the focus is now on reducing defects (increase yield) and improved reliability (cycling).
- 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. The architecture is now set.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
- Product risk — our product may fail during use, which can cause bodily harm or loss of data. This risk is covered by product liability insurance but can lead to increased cost and reduced profit.

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.

- 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.
- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On-site availability of vendor personnel to assist in re-qualification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena requiring process or mechanical handling changes on the manufacturing line.

Our financial projections assume successfully executing these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, 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 our reputation, employee morale, competition for talent and talent pool.

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.

## Climate change risks

Climate change impacts are expected to profoundly impact across the whole battery value chain. The adverse impact can be attributed to the physical risk (our assets in San Jose) and the transition risk (impact of regulations on demand for our products and compliance (cost/exclusion).

### Physical risk

Ensurge is located in San Jose, and California has over the last decade seen an increase in extreme weather, be it drought, wildfires or extreme rainfall. A risk assessment for Silicon Valley was carried out in Q1 of 2024. Four climate change risks were analyzed, and the conclusion was as follows.

Riverine flooding (high risk), extreme heat, wildfires and sea level rise (all three negligible risk).

### Transition risk

In terms of transition risk, Ensurge complies with all relevant US and international regulations. Ensurge is still a very small player in the battery value chain. Our activities so far have been focused on technology development and small-scale production in the microbattery sector, leaving a limited footprint. When scaling up, we will include relevant KPIs that can be translated into carbon footprint, and all operational and capital investment decisions will include this in addition to financial KPIs.

## 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.

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.

## 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 customer needs (price, performance and preference); and
- Our ability to provide Original Equipment Manufacturers (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 depend 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 reduced earnings.

# Going Concern

The board confirms that the financial statements of the group have been prepared under the going concern assumption.

On 20 February 2024 the Extraordinary General Meeting (EGM) approved a private placement totaling 233,468,885 shares at a subscription price of NOK 0.25 [NOK 1.25 post 5:1 share consolidation] per share, resulting in gross proceeds of NOK 58.4 million.

As of the date of this report, the company has sufficient cash to fund operations well into Q4 2024.

To continue to fund the Company's activities beyond 2024, the Company will seek additional funds from partnership funding and the investor market. 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 on successfully raising funds as planned.

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:

- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.

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 January – 31 March 2024 | 1 January – 31 March 2023 | 1 January – 31 December 2023 |
|---|---|---|---|---|
| Sales revenue | | 20 | — | 138 |
| Other income | | — | — | 75 |
| **Total revenue & other income** | | **20** | **—** | **213** |
| Operating costs | 3,4 | (3,278) | (2,995) | (13,338) |
| Depreciation and amortization | | (145) | (127) | (543) |
| **Operating profit (loss)** | | **(3,403)** | **(3,122)** | **(13,668)** |
| Net financial items | 5 | (356) | (418) | (3,236) |
| Profit (loss) before income tax | | (3,759) | (3,540) | (16,904) |
| Income tax expense | | — | — | — |
| **Profit (loss) for the period** | | **(3,759)** | **(3,540)** | **(16,904)** |
| **Profit (loss) attributable to owners of the parent** | | **(3,759)** | **(3,540)** | **(16,904)** |
| Profit (loss) per share basic and diluted | 6 | (USD 0.007) | (USD 0.07) | (USD 0.07) |
| Profit (loss) for the period | | (3,759) | (3,540) | (16,904) |
| Currency translation | | — | — | — |
| **Total comprehensive income for the period, net of tax** | | **(3,759)** | **(3,540)** | **(16,904)** |

# Consolidated statements of financial position

| Amounts in USD 1,000 | Note | 31 March 2024 | 31 March 2023 | 31 December 2023 |
|---|---|---|---|---|
| **ASSETS** | 7 | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | 1,767 | 2,052 | 1,865 |
| Other financial receivables | 9 | 574 | 574 | 574 |
| **Total non-current assets** | | **2,341** | **2,626** | **2,439** |
| **Current assets** | | | | |
| Trade and other receivables | 9 | 586 | 1,004 | 863 |
| Cash and cash equivalents (i) | 11 | 4,893 | 4,783 | 3,791 |
| **Total current assets** | | **5,480** | **5,787** | **4,654** |
| | | | | |
| **TOTAL ASSETS** | | **7,821** | **8,413** | **7,093** |
| | | | | |
| **EQUITY** | 10 | | | |
| **Total shareholder's equity** | | **(10,130)** | **(14,783)** | **(12,297)** |
| | | | | |
| **LIABILITIES** | 7 | | | |
| **Non-current liabilities** | | | | |
| Long-term debt | 11 | 5,012 | 6,402 | 5,419 |
| Long-term financial lease liabilities | 11,12 | 7,415 | 9,071 | 7,848 |
| **Total non-current liabilities** | | **12,427** | **15,473** | **13,267** |
| **Current liabilities** | | | | |
| Trade and other payables | | 1,402 | 1,321 | 1,705 |
| Current portion of long-term debt | 11 | 1,487 | 1,096 | 1,400 |
| Short-term financial lease liabilities | 11,12 | 1,657 | 1,480 | 1,611 |
| Derivative & short-term convertible debt | 11,13 | 978 | 3,826 | 1,408 |
| **Total current liabilities** | | **5,524** | **7,723** | **6,123** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **7,821** | **8,413** | **7,093** |

(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 capital | Other reserves | Currency translation | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2024** | **27,189** | **374** | **—** | **(13,801)** | **(26,060)** | **(12,297)** |
| Private placement | 2,355 | 3,055 | — | — | — | 5,410 |
| Employee Stock Purchase Plan | 200 | 1 | — | — | — | 201 |
| Stock rights exercise | 94 | — | — | — | — | 94 |
| Share based compensation | — | 221 | — | — | — | 221 |
| Comprehensive income | — | — | — | — | (3,759) | (3,759) |
| **Balance at 31 March 2024** | **29,838** | **3,651** | **—** | **(13,801)** | **(29,818)** | **(10,130)** |
| | | | | | | |
| **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) | (29,551) | — | — | 50,156 | — |
| Expired warrants | — | — | (31,968) | — | 31,968 | — |
| Private placement | 4,754 | (76) | — | — | — | 4,678 |
| Share-based compensation | — | 326 | — | — | — | 326 |
| Comprehensive income | — | — | — | — | (3,540) | (3,540) |
| **Balance at 31 March 2023** | **11,060** | **8,770** | **—** | **(13,801)** | **(20,812)** | **(14,783)** |
| | | | | | | |
| **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) | (29,551) | — | — | 50,156 | — |
| Transfer of vested stock based compensation and expired warrants | — | (8,116) | (31,968) | — | 40,084 | — |
| Private placement | 20,764 | (846) | — | — | — | 19,918 |
| Employee Stock Purchase Plan | 119 | — | — | — | — | 119 |
| Share based compensation | — | 816 | — | — | — | 816 |
| Comprehensive income | — | — | — | — | (16,904) | (16,904) |
| **Balance at 31 December 2023** | **27,189** | **374** | **—** | **(13,801)** | **(26,060)** | **(12,297)** |

# Consolidated cash flow statements

| Amounts in USD 1,000 | Note | 1 January – 31 March 2024 | 1 January – 31 March 2023 | 1 January – 31 December 2023 |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| Profit (loss) before tax | | (3,759) | (3,540) | (16,904) |
| Share-based payment (equity part) | | 221 | 326 | 816 |
| Depreciation and amortization | 8,12 | 145 | 127 | 543 |
| Changes in working capital and non-cash items | | (108) | (1,209) | (418) |
| Net financial items | | 356 | 418 | 3,236 |
| **Net cash from operating activities** | | **(3,145)** | **(3,878)** | **(12,727)** |
| | | | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | 8 | (47) | (10) | (247) |
| Proceeds from sale of fixed assets | | — | — | 8 |
| Interest received | | 22 | 34 | 71 |
| **Net cash from investing activities** | | **(25)** | **24** | **(168)** |
| | | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of shares | 10 | 5,560 | 4,678 | 14,457 |
| Proceeds from debt financing | 13 | — | — | 1,701 |
| Interest paid | 12 | (580) | (659) | (2,319) |
| Lease payments | 12 | (707) | (345) | (2,117) |
| **Net cash from financing activities** | | **4,273** | **3,674** | **11,722** |
| | | | | |
| **Net increase (decrease) in cash and bank deposits** | | **1,102** | **(180)** | **(1,172)** |
| | | | | |
| Cash and bank deposits at the beginning of the period | | 3,791 | 4,963 | 4,963 |
| **Cash and bank deposits at the end of the period (i)** | | **4,893** | **4,783** | **3,791** |

(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 the three months ending 31 March 2024 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 2023. 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 2023. 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 May 2024 secured funding well into Q4 2024. (See Note 14.) 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 13 May 2024.

## 3. Operating costs

| Amounts in USD 1,000 | 1 January – 31 March 2024 | 1 January – 31 March 2023 | 1 January – 31 December 2023 |
|---|---|---|---|
| Payroll | 1,484 | 1,021 | 5,293 |
| Share-based remuneration | 221 | 326 | 828 |
| Services | 326 | 360 | 2,237 |
| Premises, supplies | 953 | 908 | 3,706 |
| Sales and marketing | 99 | 71 | 299 |
| Other expenses | 195 | 309 | 976 |
| **Total operating costs** | **3,278** | **2,995** | **13,338** |

## 4. Related party transactions

In the first three months of 2024 and 2023, Ensurge recorded USD 62 thousand and USD 109 thousand, respectively (net of VAT) for legal services provided by law firm Ræder Bing advokatfirma AS, in which one of Ensurge's board members is a partner.

In the first three months of 2024 and 2023, Ensurge recorded USD 17 thousand and USD 67 thousand, respectively (net of VAT) for advisory services from Acapulco Advisors AS, a shareholder of Ensurge.

In the first three months of 2024, Ensurge recorded USD 145 thousand for executive consulting services provided by Lars Eikeland.

In the first three months of 2024 , Ensurge recorded USD 29 thousand (net of VAT) for consulting services from Admaniha AS, in which one of Ensurge's board members is the owner.

As of 31 March 2024, no portion of 'Trade and other payables' is attributable to related parties.

## 5. Net financial items

| | 1 January – 31 March 2024 | 1 January – 31 March 2023 | 1 January – 31 December 2023 |
|---|---|---|---|
| Interest income | 22 | 34 | 71 |
| Interest expense | (627) | (966) | (3,438) |
| Net realized and unrealized currency gain/(loss) | (21) | 307 | 254 |
| Change in fair value of derivative liability | 279 | 223 | (123) |
| Other expenses | (9) | (15) | — |
| **Net financial items** | **(356)** | **(418)** | **(3,236)** |

## 6. Profit (loss) per share

| | 1 January – 31 March 2024 | 1 January – 31 March 2023 | 1 January – 31 December 2023 |
|---|---|---|---|
| Profit (loss) attributable to shareholders (USD 1000) | (3,759) | (3,540) | (16,904) |
| Weighted average basic number of shares in issue | 512,491,862 | 54,401,255 | 226,327,767 |
| Weighted average diluted number of shares | 512,491,862 | 54,401,255 | 226,327,767 |
| **Profit (loss) per share, basic and diluted** | **(USD 0.007)** | **(USD 0.07)** | **(USD 0.07)** |

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.

The weighted average basic and diluted number of shares have been adjusted to reflect the 5:1 share consolidation completed 5 April 2024.

## 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 March 2024, the guarantee liability amounted to USD 2,000 thousand.

## 8. Property, plant and equipment

| Amounts in USD 1,000 | Tangible assets |
|---|---|
| **Period ended 31 March 2024** | |
| Net book value on 1 January 2024 | 1,865 |
| Additions | 47 |
| Depreciation | (145) |
| **Net book value on 31 March 2024** | **1,767** |
| | |
| **Period ended 31 March 2023** | |
| Net book value on 1 January 2023 | 2,169 |
| Additions | 10 |
| Depreciation | (127) |
| **Net book value on 31 March 2023** | **2,052** |
| | |
| **Period ended 31 December 2023** | |
| Net book value on 1 January 2023 | 2,169 |
| Additions | 247 |
| Depreciation | (551) |
| **Net book value on 31 December 2023** | **1,865** |

## 9. Trade and other receivables

| Amounts in USD 1,000 | 31 March 2024 | 31 March 2023 | 31 December 2023 |
|---|---|---|---|
| Customer receivables | 134 | 128 | 171 |
| Other receivables, prepayments | 566 | 994 | 813 |
| Less: provision for impairment of receivables and prepayments | (114) | (118) | (121) |
| **Total trade and other receivables** | **586** | **1,004** | **863** |

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

## 10. Shares, warrants and subscription rights

Following completion of the 5:1 share consolidation, the composition of Ensurge's share capital was changed from 2,459,688,858 shares, each having a par value of NOK 0.10, to 491,937,779 shares, each having a par value of NOK 0.50. The record date of the share consolidation was 5 April 2024. The 2023 and 2024 figures are restated and represent the 5:1 share consolidation.

| Number of shares | |
|---|---|
| Shares at 1 January 2024 | 491,937,779 |
| **Shares at 31 March 2024** | **547,755,454** |
| | |
| Shares at 1 January 2023 | 48,845,705 |
| **Shares at 31 December 2023** | **491,937,779** |

On 20 February 2024, the Company announced the completion of a private placement through an allocation of 233,468,885 offer shares at a subscription price of NOK 0.25 [NOK 1.25 post 5:1 share consolidation] per offer share for total gross proceeds of NOK 58 million.

On 29 February 2024, the board of directors resolved to approve the conversion of NOK 1,500,000 of the convertible loans, plus accrued interest, into 14,589,040 new shares at a price of NOK 0.105 [NOK 0.525 post 5:1 share consolidation] per share. (See Note 13.)

On 29 February 2024, the board of directors resolved issue in total 10,000,000 ordinary shares at a subscription price of NOK 0.10 [NOK 0.50 post 5:1 share consolidation] per share to a former contractor who has exercised incentive subscription rights granted under the 2022 incentive subscription rights plan.

On 6 March 2024, the Company announced the issuance of 21,030,485 ordinary shares at NOK 0.10 [NOK 0.50 post 5:1 share consolidation] 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 AGM on 24 May 2023.

On 19 March 2024, the EGM approved a 5:1 share consolidation, effective 5 April 2024.

| Shares Issued | Date | Number of shares | Price per share |
|---|---|---|---|
| Private placement | 20 February 2024 | 46,693,777 | 1.25 |
| Convertible loan conversion | 29 February 2024 | 2,917,808 | 0.525 |
| Employee share purchase | 6 March 2024 | 4,206,097 | 0.50 |
| **Shares issued in 2024** | | **53,817,682** | |
| | | | |
| Subscription rights exercised | 29 February 2024 | 2,000,000 | 0.50 |
| **Subscription rights exercised in 2024** | | **2,000,000** | |
| | | | |
| Private placement | 14 March 2023 | 100,000,000 | 0.50 |
| Private placement | 19 June 2023 | 14,884,570 | 0.50 |
| Private placement | 21 July 2023 | 81,963,483 | 0.50 |
| Employee share purchase | 3 September 2023 | 2,554,207 | 0.50 |
| Convertible loan conversion | 5 September 2023 | 83,689,814 | 0.50 |
| Private placement | 5 September 2023 | 40,000,000 | 0.50 |
| Private placement | 20 October 2023 | 24,569,375 | 0.50 |
| Private placement | 13 November 2023 | 70,430,625 | 0.50 |
| Private placement | 21 December 2023 | 25,000,000 | 0.50 |
| **Shares issued in 2023** | | **443,092,074** | |
| | | | |
| **Subscription rights exercised in 2023** | | **—** | **—** |

| Number of subscription rights | 1 January – 31 March 2024 | 1 January – 31 December 2023 |
|---|---|---|
| Subscription rights opening balance | 48,190,903 | 4,613,982 |
| Grant of incentive subscription rights | — | 46,370,862 |
| Terminated, forfeited and expired subscription rights | (334,222) | (2,793,941) |
| Exercise of subscription rights | (2,000,000) | — |
| **Subscription rights closing balance** | **45,856,681** | **48,190,903** |

| Grants of subscription rights in 2024 | Date | Subscription Rights | Price | Vesting | Expiration |
|---|---|---|---|---|---|
| Board members | 4 May 2023 | 2,000,000 | 0.50 | Fully vested at grant date | 25 May 2027 |
| | 24 May 2023 | 7,442,284 | 0.50 | 1/3 immediately , 1/3 after 1 year, 1/3 after 2 years | 24 May 2028 |
| | 11 July 2023 | 4,000,000 | 0.50 | 1/3 immediately , 1/3 after 1 year, 1/3 after 2 years | 24 May 2028 |
| | 30 August 2023 | 9,026,893 | 0.50 | 1/3 immediately , 1/3 after 1 year, 1/3 after 2 years | 24 May 2028 |
| | | | | | |
| Employees | 4 May 2023 | 4,155,686 | 0.92 | 50% per year | 25 May 2027 |
| | 4 May 2023 | 482,000 | 0.92 | 100% over 6 months | 25 May 2027 |
| | 18 November 2023 | 10,139,999 | 0.50 | 1/3 immediately , 1/3 after 1 year, 1/3 after 2 years | 24 May 2028 |
| | 18 November 2023 | 1,124,000 | 0.50 | 31 December 2024 | 24 May 2028 |
| | | | | | |
| Consultants | 29 August 2023 | 2,000,000 | 0.50 | 1/3 immediately , 1/3 after 1 year, 1/3 after 2 years | 24 May 2028 |
| | 18 November 2023 | 6,000,000 | 0.50 | 1/3 immediately , 1/3 after 1 year, 1/3 after 2 years | 24 May 2028 |
| **Grants of subscription rights in 2023** | | **46,370,862** | | | |

# 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 March 2024, the current portion of the loan principal is USD 1,487 thousand. The long-term portion of the principal of USD 5,012 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position. The interest rate for the financing is 17% per annum.

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 1,767 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. In addition, see Note 7.

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

**Maturity schedule — liabilities**

| 31 March 2024 | Q2 2024 | Q3 2024 | Q4 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|
| Principal obligations due | 339 | 360 | 382 | 1,785 | 2,274 | 1,361 | — |
| Convertible debt obligations due | | | 925 | | | | — |
| Interest payments | 391 | 370 | 448 | 1,136 | 647 | 99 | — |
| Lease payments | 557 | 557 | 573 | 2,311 | 2,378 | 2,447 | 1,875 |
| **Total current and long-term debt** | **1,287** | **1,287** | **2,328** | **5,232** | **5,299** | **3,907** | **1,875** |

## 12. Leases

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 2024 | 9,459 |
| Lease payment (see note below) | (557) |
| Interest expense | 169 |
| **Lease liability as of 31 March 2024** | **9,071** |

In the statement of cash flow, principal portions of lease payments are included in line “Lease payment” with an amount of USD 388 thousand, and interest portions of the payments are included in line “Interest paid” with an amount of USD 169 thousand. Both amounts 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 [NOK 15.00 post 5:1 share consolidation]. The convertible loans carry interest at the rate of 5% per annum. NOK 7 million was extended under the new agreement approved at the EGM on 10 November 2023.

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 [NOK 0.525 post 5:1 share consolidation].

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 [NOK 0.75 post 5:1 share consolidation] to NOK 0.105 [NOK 0.525 post 5:1 share consolidation] and the maturity date was updated to 10 November 2024.

On 29 February 2024, the board of directors resolved to approve the conversion of NOK 1,500,000 of the convertible loans, plus accrued interest, into 14,589,040 new shares at a price of NOK 0.105 [NOK 0.525 post 5:1 share consolidation] per share.

As of 31 March 2024 the outstanding convertible loans amount to USD 978 thousand.

On 7 April 2024, the board of directors resolved to approve the conversion of NOK 1,500,000 of the convertible loans, plus accrued interest, into 2,932,289 new shares at a price of NOK 0.105 [NOK 0.525 post 5:1 share consolidation] per share.

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 March 2024 | 31 December 2023 |
|---|---|---|
| Short term debt | $808 | $960 |
| Derivative liability | 170 | 448 |
| Accrued interest | 49 | 54 |
| Conversion price * | NOK 0.525 | NOK 0.525 |
| Interest rate | 5% | 5% |
| Maturity date * | 10 November 2024 | 10 November 2024 |

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

## 14. Events occurring after the balance sheet date

On 7 April 2024, the board of directors resolved to approve the conversion of NOK 1,500,000 of the convertible loans, plus accrued interest, into 2,932,289 new shares at a price of NOK 0.105 [NOK 0.525 post 5:1 share consolidation] per share. (See Note 13.)

On 14 May 2024, the Company announced the completion of a private placement of shares for total gross proceeds of approximately NOK 84.9 million (USD 7.9 million).