

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2023**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from [ ] to [ ]

Commission file number 001-40454

**KULR TECHNOLOGY GROUP, INC.**

(Name of small business issuer in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

81-1004273

(IRS Employer  
Identification Number)

**4863 Shawline Street , San Diego , California 92111**

(Address of Principal Executive Offices)

**Issuer's telephone number: ( 408 ) 663-5247**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.0001 per share	KULR	NYSE American LLC

**Securities registered pursuant to Section 12(g) of the Act:**

None

Indicate by check mark if registrant is a well-known seasoned issuer, as defined under Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was \$ 51,483,022 based on the closing price of \$0.64 as of that date.

As of April 9, 2024, there were 172,869,307 shares of the issuer's common stock, par value \$0.0001 per share, issued and outstanding.

Documents incorporated by reference: None.

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In this report, unless the context indicates otherwise, the terms “Company,” “we,” “us,” “our” and similar words refer to KULR Technology Group, Inc. (“KULR”), a Delaware corporation, and its wholly-owned subsidiary, KULR Technology Corporation (“KTC”), a Delaware corporation.

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the “Securities Act,” and Section 21E of the Securities Exchange Act of 1934 or the “Exchange Act.” These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or anticipated results.

In some cases, you can identify forward-looking statements by terms such as “may,” “intend,” “might,” “will,” “should,” “could,” “would,” “expect,” “believe,” “anticipate,” “estimate,” “predict,” “potential,” or the negative of these terms. These terms and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this report are based upon management’s current expectations and beliefs, which management believes are reasonable. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor or combination of factors, or factors we are not aware of, may cause actual results to differ materially from those contained in any forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements. These statements represent our estimates and assumptions only as of the date of this report. Except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including:

- new competitors are likely to emerge and new technologies may further increase competition;
- our operating costs may increase beyond our current expectations and we may be unable to fully implement our current business plan;
- our ability to obtain future financing or funds when needed;
- our ability to successfully obtain and maintain a diverse customer base;
- our ability to protect our intellectual property through patents, trademarks, copyrights and confidentiality agreements;
- our ability to attract and retain a qualified employee base;
- our ability to respond to new developments in technology and new applications of existing technology before our competitors;
- acquisitions, business combinations, strategic partnerships, divestitures, and other significant transactions may involve additional uncertainties; and
- our ability to maintain and execute a successful business strategy.

Other risks and uncertainties include such factors, among others, as market acceptance and market demand for our products and services, pricing, the changing regulatory environment, the effect of our accounting policies, potential seasonality, industry trends, adequacy of our financial resources to execute our business plan, our ability to attract, retain and motivate key technical, marketing and management personnel, and other risks described from time to time in periodic and current reports we file with the United States Securities and Exchange Commission, or the “SEC.” You should consider carefully the statements under “Item 1A. Risk Factors” and other sections of this report, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements.

## PART I

### ITEM 1. BUSINESS

#### Overview and Market Opportunities

KULR Technology Group, Inc., through our wholly owned subsidiary KULR Technology Corporation, maintains expertise in three key technology domain areas: (1) energy storage systems and recycling, (2) thermal management solutions, and (3) rotary system vibration reduction. Historically, KULR, focused on thermal energy management solutions for space and Department of Defense (DoD) applications, with recent expansion into energy storage and vibration reduction markets as the logical next step. Combined, this energy management platform consists of high-performance thermal management technologies for batteries and electronics, AI-powered battery management and vibration mitigation software solutions, and reusable energy storage modules. Our mission is to advance and apply these technologies to make our world more sustainable by using less energy; using energy more efficiently; making energy consumption safer and cooler; using less materials to achieve these goals; and completing the circular economy through recycling.

Active government initiatives propelled by industry and regulatory tailwinds are increasing demand for energy storage, battery recycling and clean energy, resulting in an expanding total addressable market for KULR's solutions. According to Precedence Research, global energy storage systems market is to grow from \$210B in 2021 to \$435B by 2030. Global lithium-ion battery recycling industry is to grow from \$4.6B in 2021 to \$22.8B by 2030, according to Market and Markets Research. Additionally, the domain driving the growth of KULR's battery design and production capabilities is the private space exploration market sector, which requires highly custom, safe, and reliable energy storage systems, and is expected to reach \$1,110.8B by 2030 according to CoherentMI. The Company's disruptive technologies strive to fulfill an addressable \$24 billion thermal management systems market (estimated based on market data projections published by Converged Markets stating that the thermal management systems market size was projected to grow to \$24.8 billion by 2025). E-aviation growth and continued reliance on traditional aviation vehicles drives an aircraft maintenance market size that is expected to reach \$127.2B by 2032, an increase from \$82.7B in 2023, according to Precedence Research. KULR VIBE, the Company's rotary system vibration reduction software, positions KULR to access this market area.

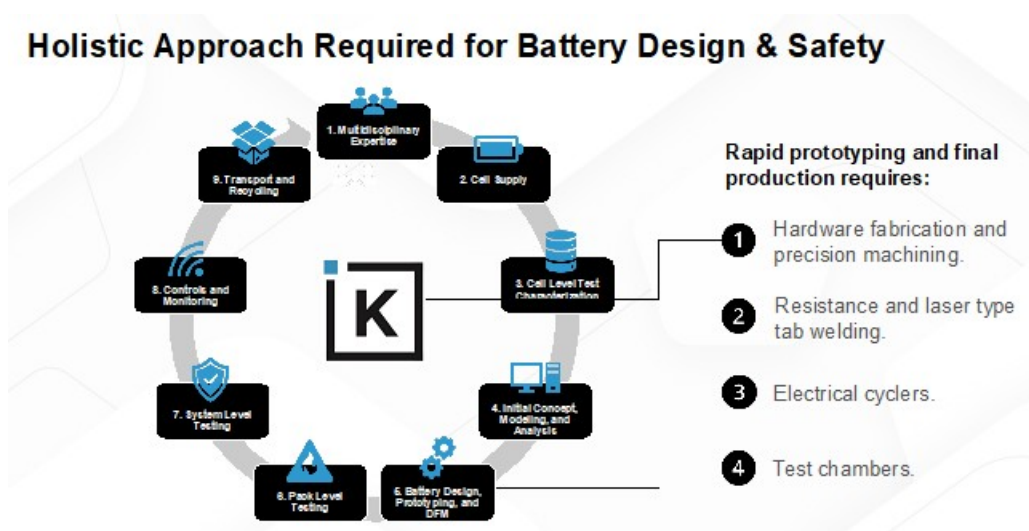
As companies and governments around the world pledge to meet net zero emissions over the next few decades, KULR is uniquely positioned to accelerate the adoption of clean energy solutions and sustainable products and facilitate the migration to a global circular economy. The Company's goal is to provide total battery safety solutions for more efficient battery systems, increased sustainability, and end-of-life battery management, making KULR a key technology solutions provider in the migration to a global circular economy.

#### ***KULR ONE and KULR ONE Design Solutions (K1DS)***

KULR's primary technical domain that is shaping the future landscape of the Company is safe, high-performance energy storage solutions. To effectively support and provide energy storage solutions, a holistic approach is necessary. Batteries are an interdisciplinary technology which require:

- (1) Multi-disciplinary expertise to address related electrical, thermal, mechanical, and electrochemical requirements,
- (2) Cell supply access to top-tier OEMs,
- (3) Cell level testing capabilities to characterize performance, quality, and safety behavior at the cell level,
- (4) Expertise in early concept design, modeling, and analysis,
- (5) Rapid prototyping and production capabilities,
- (6) Pack and system level thermal, mechanical, electrical, and abuse testing capabilities,
- (7) Expertise in battery management, controls, and monitoring,

- (8) Ability to support beginning of life to end of life requirements for transport and recycling.



To address the need for a holistic approach, KULR developed a battery product and service portfolio over the course of the last decade that provides products, safety testing services, modeling and analysis services, electrical testing services, transport and recycling packaging and logistics, and battery design solutions. Collectively, this is referred to as KULR ONE Design Solutions (K1-DS), which is actively leveraged by the Company to facilitate engagement with customers no matter the battery life cycle phase they are in.

Currently, the primary aspects of K1-DS utilized by industry are product sales of trigger cells and TRS, the safety testing methodologies, and the utilization of the K1-DS platform as a whole to develop customized energy storage solutions.



Internally, KULR has leveraged K1-DS to develop off the shelf KULR ONE architectures which represent a groundbreaking innovation that is driving the world's transition to a more sustainable electrification economy. These revolutionary designs offer a unique combination of cutting-edge features, including unparalleled safety, exceptional performance, intelligent functionality, modular construction, reliability, and customizability. The KULR ONE battery packs have been engineered to meet the exacting demands of the

world's most demanding applications. As of now, the Company is focused on the KULR ONE Space for space exploration, the KULR ONE Guardian for military applications, and the KULR ONE Max for rack-style grid energy storage systems, also referred to as Battery Energy Storage Systems (BESS). These architectures collectively offer a comprehensive solution that addresses the critical need for safe and reliable energy storage in a wide range of industries, from aerospace and defense to electric vehicles and consumer electronics. One of the key features of the KULR ONE family of battery packs is the modularity and consistency of the architectures. This allows for greater flexibility as customers can easily adjust the size and configuration of the battery pack to suit their specific application requirements while still also benefitting from testing previously conducted by the KULR team for their specific architecture. In addition to offering exceptional performance and reliability, the KULR ONE battery packs are also designed with safety as a top priority. They incorporate state-of-the-art thermal management technology to prevent overheating and ensure safe operation even in the most challenging environments. Overall, the KULR ONE family of battery packs, depicted with the following picture, is at the forefront of the global drive towards sustainable electrification. With its unparalleled combination of safety, performance, intelligence, modularity, reliability, and customizability, KULR ONE is positioned to revolutionize the way we think about energy storage and powering the world's most demanding applications.



### ***KULR VIBE Solution***

During 2022, we acquired intellectual property from Vibetech International, LLC ("Vibetech"), which allows KULR to expand itself as a vertically integrated energy management company focused on sustainable energy solutions. For nearly twenty years, the primary application has been aviation. However, advances in measurement and computing technologies have allowed KULR VIBE to provide transformative and scalable solutions across transportation, renewable energy (wind farm), manufacturing, industrial, performance racing and autonomous aerial (drone) applications among others. KULR VIBE addresses one of the most challenging issues with advanced machinery today; excessive energy robbing vibrations that are destructive to both the machinery and in many cases the operator. The KULR VIBE suite of technologies utilize proprietary sensor processes with advanced learning algorithms to both achieve precision balancing solutions, and successfully predict component failure based on its comprehensive database of vibration signatures. Its enhanced AI learning algorithms pinpoint areas where excess vibrations cause a loss of energy that can lead to system malfunctions, weakened performance, and maintenance issues.

This innovative technology can be utilized as a standalone solution or be paired with existing track and balance technology to facilitate vibration reduction, achieve increased energy production, and reduce mechanical failures thereby extending platform life. KULR VIBE recently balanced the motors and blades of a mission critical drone to demonstrate the benefits of the technology. The results were a 23% increase in battery life and a lift increase of 45%. Same motors, same blades, KULR VIBE optimized.

The KULR VIBE suite of products and services have provided vibration analysis and mitigation to global companies across multiple industries and sectors. According to Fact.MR, an insights-driven global market intelligence company, the global vibration motor market is estimated at \$6.5 billion in 2023 and is forecast to reach \$24.1 billion by 2032, growing at a Compounded Annual Growth Rate ("CAGR") of 14.1% during 2023-2032.

### ***The Future is Energy + AI***

We believe the future of KULR is Energy + AI. We are building our AI infrastructure on industry leading Nvidia and AMD semiconductor platforms, and they are hosted on a hybrid of private cloud and Microsoft Azure. As the world faces shortages of both

technical expertise to design batteries and raw materials to build batteries, KULR aims to address this need with KULR ONE AI (K1AI). The Company is collecting large quantities of performance and safety test datasets for the most highly used commercial lithium-ion cells and combining that data with AI techniques to drive battery design and reduce engineering touch time to market. This product is to target the following markets:

- Aerospace and defense systems, such as CubeSat batteries meeting JSC 20793 safety requirements by NASA
- Power tools and industrial equipment
- High-performance electric vehicles
- Electric vertical take-off and landing ("eVOTL")
- Electric micro-mobility vehicles
- Residential and commercial energy storage systems

#### *Energy Storage*

Lithium-ion batteries are the dominant technology on the market for energy storage because of their cost and availability but do carry well documented safety risks. While rare, cell to cell thermal runaway in lithium-ion batteries can cause a fire or explosion. For example, an explosion at Arizona Public Service's McMicken battery plant injured four emergency responders in 2019 and overheating caused the 1.2 GWh Moss Landing storage facility in California to go off-line. To reach net zero by mid-century will require an additional 245 GWh of battery capacity each year until 2030, but incidents of the like distill trust in battery technologies and threaten to slow the pace which is needed to achieve decarbonization goals. KULR's passive propagation resistant (PPR) and thermal runaway shield (TRS) technologies prevent cell to cell thermal runaway propagation and inhibit fire and ejecta of a single cell from exiting the battery enclosure, making battery energy storage packs safe for homes, hospitals, schools, and universities, and more. KULR is partnering with leaders in the energy storage industry such as Volta Energy Products, the subsidiary of Buffalo NY based parent company, Viridi, to increase deployments of safe, reliable, and durable energy storage safety systems to accelerate the broader energy transition.

#### *Battery Recycling and Management*

KULR-Tech Safe Case provides a safe and cost-effective solution to commercially store and transport lithium batteries, which is increasing in frequency as supply chain challenges and ESG commitments necessitate battery recycling and end-of-lifecycle management. Whether shipping a single battery, a battery-powered device or a load shipment of batteries, KULR's technology mitigates the impacts of cell-to-cell thermal runaway propagation and ensures a safe journey. KULR's Thermal Runaway Shield (TRS) technology is trusted by NASA to ship and store astronauts' laptop batteries on the International Space Station. In addition, KULR combines its Passive Propagation Resistant (PPR) solutions with its new CellCheck intelligent battery management system to extend battery life. The CellCheck modular battery management system platform is KULR's AI-powered battery safety technology for e-mobility, energy storage and fleet applications. It captures real time and lifetime battery intelligence, sensing adverse electrical, environmental, and physical events to analyze and control for maximum battery safety, reliability, and performance. As commercial industries across the board face greater scrutiny to comply with ESG standards, KULR is serving a total addressable market for a circular economic model for batteries that will reach over \$21 billion by 2025 (estimated based on market data projections published by Grand View Research, Inc. stating that the global battery recycling market size is expected to reach \$21.04 billion by 2025).

#### *E-mobility*

KULR is supporting the shift to electrified transport by enabling safer, lighter, and faster charging lithium-ion batteries for electric vehicles and micro mobility solutions. KULR's passive propagation resistant (PPR) battery pack solutions increase battery energy capacity while preventing thermal runaway events that can lead to hazardous explosions, helping the transportation industry to address growing public safety concerns around electric vehicles, electric aviation and micro-mobility markets.

Vehicle technology advancements and EV range anxiety requires more battery capacity to expand the range and power of existing platforms while adding new, power-demanding components for advances such as 5G data networks. The additional strain on batteries increases the risk for overheating and serious failures and can damage sensitive chip architecture. In addition, overheating has been a key limiting factor for advancing fast charging battery technology. KULR's carbon fiber thermal management technologies reduce the thermal resistance inside battery cells while increasing electrical conductivity to dissipate heat more efficiently to enable the safe deployment of fast charging batteries. With KULR, automotive OEMs and battery manufacturers can increase the energy capacity of battery cells so less cells are needed, making for lighter vehicles that drive further before needing to be charged.



### *Aerospace/Defense*

KULR's thermal management solutions enable the defense and aerospace industries to safely deploy electronic technologies that support critical missions and protect national security. Technology in this sector is developing at increasing rates - the space industry alone will be worth nearly \$3 trillion in 30 years. The electronic devices being placed into aircrafts, satellites, and missiles are becoming ever smaller and more powerful. Lithium-ion batteries, which are already prone to overheating and propagation, are exposed to harsh thermal environments as well as shock and vibration during aerospace and defense operations. The Company has partnered with Lockheed Martin, Leidos and other prime contractors to develop and supply mission-critical technologies for hypersonic vehicles, high-power magnetic wave, and other defense systems.

### *High-Powered Computing & 5G*

Demand for improved, cost-effective cooling solutions in the rapidly growing 5G and cloud computing industries is ever-increasing. KULR's portfolio of thermal management solutions target air and liquid-cooling of high-performance computing applications such as crypto mining, cloud computing, AI, and AR/VR simulations to maximize performance, energy efficiency and safety. KULR's proprietary carbon fiber-based suite of thermal interface materials leverage advanced carbon fiber based heatsink technology that offers customers highly customizable, lightweight, and cost-effective solutions with industrial-level reliability due to their high thermal conductivity, lightweight, and low contact pressure.

### *New Facility and IT-Systems*

KULR currently maintains three facilities of operations. KULR California, located at 4863 Shawline St, San Diego, CA., supports our fully automated battery cell screening line and remains the only U.S. automated facility capable of executing the test requirements of NASA Work Instruction 37(WI37). WI37 is the testing standard required for battery cells used on all manned missions for NASA. Additionally, the facility produces our patented Thermal Runaway Shields, Fiber Thermal Interface materials, Cathodes, Phase Change Materials, and heatsinks.

KULR, on February 1<sup>st</sup>, 2024, relocated the KULR Texas facility previously located at 1692 N. Texas Avenue, Webster, TX to a significantly larger facility located at 555 Forge River Road, Suite 100, Webster, TX. The previous location provided 4800 ft<sup>2</sup>, whereas the new facility provides 17,560 ft<sup>2</sup> supporting the growth of our customer base and engineering team. The facility is conveniently located 2.1 miles from NASA Johnson Space Center and is surrounded by a large number of KULR existing and targeted customers. The facility will support research and development related activities for lithium-ion battery systems. This expanded space will provide room for additional personnel office space, an engineering design and prototyping sandbox, a 3D printing room, an electrical room for tab welding operations, an expanded CNC capability, Laser welding, Volume TRS manufacturing and a large warehouse for storage. Once fully operational, necessary actions will be completed to have the new location included in KULR's existing ISO 9001 certification.

Our testing facility in San Leon, TX, will be consolidated into KULR Texas during the second quarter of 2024. This consolidation allows for maximum efficiency of operations of our engineering talent while creating a showcase of advanced Fractional Thermal Runaway Calorimetry (FTRC), Bomb Calorimetry, Thermal Modeling, Destructive Battery pack testing, and SafeCase verification testing. This new location provides for greater customer engagements both on site and via live feed internationally.

KULR has engaged with Managed Solutions to enhance our IT infrastructure and improve all aspects of Cybersecurity. As a sub-contractor for DOD programs, it is vital that KULR have state-of-the-art IT systems and controls. We believe the best path based on the current scale of the company is to outsource this activity to a professional IT services organization. The result of this activity was an improvement of our NIST score of over 140 points. Additionally, KULR has further increased its Cybersecurity initiatives by hiring FRSecure to act as a VCISO and provide continuous cyber threat training to our personnel. They also will audit our current level of threat sophistication and ensure any weak link is addressed immediately. See Item 1C - Cybersecurity for additional information.

### **Corporate**

KULR was incorporated in the State of Delaware in December 2015 and was formerly known as "KT High-Tech Marketing, Inc." and, prior to that, as "Grant Hill Acquisition Corporation." In April 2016, KULR implemented a change of control by issuing shares to new shareholders, redeeming shares of existing shareholders, electing new officers and directors and accepting the resignations of its then existing officers and directors.

Our wholly-owned subsidiary, KULR Technology Corp, was formed in 2013 and is based in San Diego, California. Since its inception, KTC primarily focused on developing and commercializing its thermal management technologies, which it acquired through assignment from and license with KTC's co-founder Dr. Timothy Knowles. Prior to 2013, KTC's technologies were used in numerous



advanced space and industrial applications for NASA, Boeing, and Raytheon. A few notable achievements were the use of KTC's technologies in the X-31 aircraft (battery heat sink), Mercury Messenger (battery heat sink), and X-51 Scramjet (heat exchanger).

On June 19, 2017, KULR closed a share exchange with KTC and 100% of the shareholders of KTC (the "KTC Shareholders") whereby the KTC Shareholders agreed to transfer an aggregate of 25,000,000 shares of KTC's common stock to KULR in exchange for the issuance of an aggregate of 50,000,000 shares of KULR's common stock to the KTC Shareholders (the "Share Exchange"), resulting in KTC becoming a wholly-owned subsidiary of KULR and KTC's business of developing and commercializing its thermal management technologies becoming KULR's main operation.

The Share Exchange was accounted for as a reverse recapitalization in accordance with generally accepted accounting principles in the United States of America, with KTC being treated as the acquiring company for accounting purposes.

On August 30, 2018, KULR changed its name from "KT High-Tech Marketing, Inc." to "KULR Technology Group, Inc." by filing a certificate of amendment to its Certificate of Incorporation with the office of the Secretary of State of the State of Delaware.

## **Recent Developments**

### **Revenues**

The Company reported record annual revenues of \$9.8 million for 2023, as compared to its previous record revenues of \$4.0 million for 2022.

### **Liability Repayment**

Subsequent to December 31, 2023, the Company repaid in full all remaining principal and interest owed in connection with the prepaid advance liability.

### **Equity Financing**

On September 15, 2023, the Company completed a public offering of 8,214,285 shares of common stock, priced at \$0.35 per share, with gross proceeds of \$2,875,000 less issuance costs of \$588,230, for net proceeds of \$2,286,770.

On December 22, 2023, the Company completed a public offering of 5,175,000 shares of common stock, priced at \$0.20 per share, with gross proceeds of \$1,035,000 less issuance costs of \$257,800, for net proceeds of \$777,200.

### **Compliance with NYSE American Continued Listing Requirements**

On December 20, 2023, the Company received a notice of noncompliance (the "Stockholders' Equity Notice") from NYSE Regulation ("NYSE") stating that it is not in compliance with Section 1003(a)(i) in the NYSE American Company Guide (the "Company Guide") since the Company reported stockholders' equity of \$1,200,172 at September 30, 2023, and losses from continuing operations and/or net losses in its five most recent fiscal years. Section 1003(a)(iii) of the Company Guide requires a listed company to have stockholders' equity of \$6 million or more if the listed company has reported losses from continuing operations and/or net losses in its five most recent fiscal years.

As required by the Stockholders' Equity Notice, on January 19, 2024, the Company submitted a plan (the "Plan") to NYSE advising of actions it has taken or will take to regain compliance with the continued listing standards by June 20, 2025. NYSE staff will review the Company periodically for compliance with the initiatives outlined in the Plan. If the Company is not in compliance with the continued listing standards by June 20, 2025, or if the Company does not make progress consistent with the Plan during the Plan period, NYSE staff will initiate delisting proceedings as appropriate.

On March 5, 2024, the Company received a notification (the "Acceptance Letter") from the NYSE American that the Company's plan to regain compliance was accepted. The NYSE American has granted the Company a plan period through June 20, 2025 to regain compliance with Section 1003(a)(iii). If the Company is not in compliance with the continued listing standards by that date or if the Company does not make progress consistent with the plan during the plan period, the NYSE American may commence delisting procedures.

On February 12, 2024, the Company received a notice letter (the "Letter") from NYSE stating that it is not in compliance with Section 1003(f)(v) of the Company Guide since the Company's securities were trading at an average of less than \$0.20 per share for 30 days. The Company intends to cure the stock price deficiency and return to compliance with NYSE continued listing standards, however, the Company can provide no assurance that this measure will be successful.

### ***Issuance of Non-Convertible Series A Voting Preferred Stock***

On January 26, 2024, the Board of Directors ("Board") of the Company, following extensive strategic evaluation, including consultation with advisors, approved, authorized, and ratified the issuance of 730,000 shares of previously designated Non-convertible Series A Voting Preferred Stock to the Chairman and Chief Executive Officer of the Company, Michael Mo, subject to certain limitations as set forth below, for no consideration. The issuance of up to 1,000,000 shares of Non-convertible Series A Voting Preferred Stock was previously approved and authorized by a vote of the majority stockholders of the Company.

The issuance is subject to the Board reserving the full and unequivocal right to revoke, rescind, transfer or otherwise cancel the issued Non-convertible Series A Voting Preferred Stock in the event Michael Mo is removed from any position with the Company or resigns from all positions with the Company. This conditional arrangement is designed to ensure that the voting power conferred by the Non-convertible Series A Voting Preferred Stock remains tied to the active leadership of the Company. This underscores the Board's commitment to maintaining alignment with the long-term interests of the Company and its stockholders.

The Independent Members of the Board have determined that the issuance represents a pivotal strategic move to reinforce and enhance the Company's flexibility to optimize the Company's negotiating position in any potential current and/or future engagements with commercial, financial, and/or strategic parties, and to provide defenses against potential hostile third-party actions.

### ***Appointment of Officers and Management***

#### ***Appointment of Vice President, Sales***

On January 16, 2023, the Company appointed a Vice President of Sales (the "VP of Sales"), and issued the VP of Sales 298,507 shares of restricted common stock. The restricted common stock had a grant date fair value of \$400,000, and vests in four equal annual installments beginning January 16, 2024 based solely on continued service. The grant date fair value will be amortized ratably over the vesting period. In addition, the Company committed to a one-year guaranteed commission of \$200,000, payable in four quarterly installments as well as a severance package of \$250,000 and one-year of family health insurance if the VP of Sales is terminated without cause (as defined) within one year of hire.

#### ***Appointment of Chief Financial Officer***

On March 31, 2023, the Company appointed a Chief Financial Officer (the "CFO") and issued the CFO 1,500,000 shares of restricted stock. The restricted common stock had an aggregate grant date fair value of \$1,380,000, and vests in five equal annual installments beginning March 31, 2024 based solely on continued service.

#### ***Management Equity Incentive Grants***

On July 12, 2023, the Board unanimously approved an equity grant to the Chief Technology Officer, of 350,000 shares of restricted common stock. The restricted common stock had a grant date fair value of \$266,000 and vests in four equal annual installments beginning on July 12, 2024.

#### ***Merchant Cash Advance Agreement***

On January 22, 2024, the Company entered into a merchant cash advance agreement (the "Cash Advance Agreement") whereby the Company received \$504,900 of cash (net of underwriting fees of \$35,100) with the obligation to repay a total of \$804,600 over thirty-two weekly payments of \$25,143.75, beginning January 30, 2024. On February 26, 2024, the parties added an addendum to the agreement for an early payoff discount whereby the Company will owe \$756,000 if paid by March 22, 2024, or \$783,000 if paid by April 22, 2024.

On February 26, 2024, the Company entered into a merchant cash advance agreement (the "Second Cash Advance Agreement") whereby the Company received \$502,200 of cash (net of underwriting fees of \$37,800) with the obligation to repay a total of \$804,600 over thirty weekly payments of \$26,820, beginning February 29, 2024.

#### ***Recent Shareholder Vote by Majority Written Consent***

On February 9, 2024, the shareholders of the Company, acted by way of majority written consent (in lieu of a special meeting of stockholders) to approve resolutions authorizing the Company's Board of Directors to take the following actions: (1) to issue shares of Common Stock to current or future engagements with commercial or strategic parties, which may result in issuances of over 20% of the issued and outstanding shares of Common Stock; (2) to amend the Company's Bylaws to decrease the number of shares of Common

Stock needed to establish a quorum for meetings of stock holders to thirty-three-and-one-third percent (33 1/3 %) of the outstanding voting securities of the Company; (3) to amend the Certificate of Incorporation of the Company to effect a reverse split within a ratio range between 1-for-2 and 1-for-80; (4) to issue shares of common stock, in connection with an existing financing facility, which may result in the potential issuance of over 20% of the issued and outstanding shares. The resolution was approved by shareholders holding in aggregate of 55.72% of outstanding shares as of February 9, 2024.

### ***Sales and Marketing Strategy***

The Company employs various channels to market and sell its products and solutions, including direct sales to customers, as well as sales through representatives and strategic partners. We believe that establishing direct relationships with key accounts allows for deeper technical interactions, faster turnaround times, and provides valuable feedback that helps inform product development and marketing efforts. To ensure that our target customers fully understand the unique features and benefits of our products and services, we organize technology day events. We use a combination of marketing approaches to reach prospects and customers, such as leveraging employee, representative, and strategic partner relationships, maintaining an informative website, attending industry conferences, and conducting market research. Recently, we expanded our direct sales and marketing teams, including Mr. Ted Krupp, a highly experienced professional with important relationships in the Aerospace and Defense sectors, as our new VP of Sales and Marketing. Looking ahead, we plan to further expand our direct sales team to enhance our key account coverage and support a growing representative and distributor network.

### ***Advertising and Communications Strategy***

We employ a diverse range of advertising and communication tools to reach our audience. These include commissioning impartial white papers and technical papers, participating in industry events, conferences, and symposiums as attendees, sponsors, and guest speakers. We maintain a public relations consultant who oversees our press releases and media relations, ensuring that we maintain a positive presence in newspapers, magazines, and blogs. To bolster our social media outreach activities, we have a dedicated SEO specialist. We leverage our strong reputation within the thermal management and lithium-ion battery safety communities to spread positive feedback through word-of-mouth. Additionally, we utilize several social media platforms, such as LinkedIn, YouTube, Twitter, Instagram, and Facebook, to reach a broader audience.

### ***Intellectual Property and Patent Strategy***

Our intellectual property strategy includes pursuing patent protection for new innovations in core carbon fiber architecture development, application development, acquisition of intellectual property, and licensing of third-party patents and intellectual property. As of December 31, 2023, we have six patents granted and assigned to KULR, an exclusive license to four third party patents, and ten pending nonprovisional and provisional patent applications.

### ***Product and Services***

In addition to KULR ONE and KULR VIBE, here are some of the technologies, products and services we offer to customers:

Lithium-Ion Battery Thermal Runaway Shield ("TRS"): KULR has developed a thermal insulation technology aimed at passive resistance to thermal runaway propagation in Li-ion batteries in partnership with National Aeronautics and Space Administration Johnson Space Center ("NASA JSC"). HYDRA TRS acts as a heat sink during normal Li-ion battery pack operation but also prevents thermal runaway propagation, which is a serious concern for aerospace and defense customers and electric vehicle manufacturers. The HYDRA is a vaporizing thermal capacitor that provides passive prevention of thermal runaway propagation ("TRP") in Li-ion battery packs. Thermal runaway can occur spontaneously in a Li-ion cell due to a short. This can trigger an explosive release of electric energy that ruptures the end cap resulting in a flare and combustion of cell materials. Released heat drives the triggered cell temperatures to > 500°C, causing a dramatic increase in neighboring cell temperatures. Temperatures above the critical 130°C greatly increases the chance for a short in adjacent cells and result in TRP. TRS keeps neighboring cell temperatures from rising above 100°C (well below the 130°C threshold) and prevents TRP.

KULR Automated Battery Cell Screening and Test System: KULR completed the installation of a fully automated battery cell testing platform this January in our San Diego facility. The system fully supports the stringent requirements of NASA and the DOD. This platform has been designed to meet the entire specifications of NASA WI-037 battery testing requirements. This fully automated system is believed to be the only fully automated system capable of such performance. We have designed the system to be modular and have installed a minimum of 500K cell capacity annually capable of handling 18650 and 21700 cells.

CellCheck: A scalable battery management platform to provide a new level of safety, performance optimization and regulatory compliance capabilities to our customers. We achieve this by putting together a modular architecture that is built on large data

sets, performing an array of analytics, and then layering on top of it AI algorithms to provide predictive and preventative intelligence to our customers. It's modular so that we can incorporate new capabilities and enhancements to the platform as the battery evolution accelerates in the coming years. This is another significant step to position KULR as a one-stop-shop total solutions provider of battery thermal energy and safety management.

**KULR SafeCase:** This product was developed for the commercial transportation and storage of Li-ion batteries. It is an extension of the product jointly developed with NASA, the TRS Bags which safely store and transport Li-ion batteries to and in the International Space Station. The cases have been tested and granted special permits by the Department of Transportation (DOT) for shipment of Li-ion batteries up to 2.1KWh for shipment of batteries classified as DDR (damaged, defective or recall), recycling and prototype.

**Fiber Thermal Interface Material ("FTI"):** KULR thermal interface materials ("TIMs") consist of vertically oriented carbon fiber velvets attached to a film of polymer or metal. The fiber packing density and orientation are selected to serve a wide range of applications, including hostile thermal and chemical environments, sliding interfaces, and interfaces with widely varying gaps. They can be coated for electrical isolation. They require low contact pressure and provide high thermal conductivity. Their light weight and high compliance make them uniquely suited for aerospace, industrial and high-performance commercial devices.

**Phase Change Material ("PCM") Heat Sink:** KULR PCM composite heat sinks consisting of a conductive carbon fiber velvet embedded with a proprietary heat dissipation medium having high latent heat at its melting point. Such heat sinks offer passive thermal control for instruments that would otherwise overheat or under-cool during periodic operations. A typical application involves lasers that dissipate heat but need tight thermal control where active cooling is unavailable.

**Internal Short Circuit ("ISC") Device:** In March 2018, KULR reached an agreement with the National Renewable Energy Laboratory ("NREL"), a national laboratory of the U.S. Department of Energy, to be the exclusive manufacturing and distribution partner for the patented ISC device, which causes predictable battery cell failures in Li-ion batteries, making them easier to study and, therefore, safer. Li-ion batteries are the industry and consumer standard for portable power; billions of individual battery cells exist and billions more are planned for production. They provide power for everything from smart phones and laptops to electric cars and space crafts. But Li-ion batteries fail, sometimes with catastrophic results. Due to the relative rarity of cell failures, scientists and researchers had been unable to reliably or accurately replicate latent defect cell failures in lab settings, impeding research into safer battery technology.

**CRUX Cathode:** The CRUX Cathode is composed of a carbon fiber velvet, providing a means of generating powerful electron pulses by field emission from the tops of the carbon fibers. CRUX Cathodes can be customized for different applications including the generation of microwaves, x-rays, and laser radiation. They can be fabricated in a wide variety of physical configurations, ranging from simple planar and cylindrical forms to more complex lobed shapes.

## **Competition**

Currently, the battery industry uses a number of solutions to mitigate thermal runaway propagation that are offered by Aspen Aerogel, Unifrax, Lydall, LHS, 3M, Engineered Syntactic Systems, Celono, AllCell and others. Each of their solutions offer unique features and benefits for a specific application. We do not believe, however, that there is a one-size-fits-all solution across all applications. We believe our PPR design solution offers competitive light-weight and effective solutions for high energy battery cells because it is more flexible and can fit into different design configurations. For applications that require passive, light-weight solutions for high energy density battery cells, TRS offers a competitive solution.

Thermal interface material is a large and fragmented market with many large suppliers including Henkel Bergquist, Fujipoly, Laird, 3M, Honeywell and others. These solutions are typically based on silicone and thermal particles. KULR's FTI offers high bulk thermal conductivity and low contact pressure requirements, which we believe gives us a competitive advantage over other thermal interface solutions.

Our licensed ISC device offers a reliable way to trigger battery cell thermal runaway compared to nail penetration, over-charging or over-heating the cell. ISC does not rely on mechanically damaging the battery exterior to activate the short, as do most of the other evaluation methodologies. Instead, the ISC devices trigger true internal shorts. This makes it possible to accurately pinpoint and fix problems leading to malfunctions, an ability that we believe will give us a competitive advantage over other testing solutions.

## Governmental Regulation and Environmental Compliance

Certain substances we use in our manufacturing process are subject to federal governmental regulations (such as Environmental Protection Agency regulations). We believe we are in material compliance with all applicable governmental regulations, and that the cost and effect of compliance with environmental laws is not material. As a small generator of hazardous substances, we are subject to local governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances, such as acetone that is used in very small quantities to manufacture our products. We are currently in compliance with these regulations. Most new materials sold in the U.S or in many other countries require regulation by government authorities. In most other countries, there are no specific regulations that require additional regulation, but some countries do have registration requirements with which we comply to the best of our ability.

## Employees

As of December 31, 2023, we had 57 full time employees and 3 contractors (after the Workforce Reduction discussed below). We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes. In addition, KULR leverages outsource partners for IT management, Software Development, Battery Cell R&D, and Machine Automation. On January 9, 2024, the Company announced that it had completed a reduction of its total workforce of approximately 15% in an effort to allocate its resources to key business priorities to focus on improving the profitability of commercial customer engagements.

## Intellectual Property

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyright, trademarks and trade secrets. We have, and will continue to, file applications for and/or obtain patents, copyrights and trademarks in the United States and selected foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by implementing organizational nondisclosure policies and through the use of appropriate confidentiality agreements.

As of December 31, 2023, we held six U.S. patents and six non-provisional pending U.S. patent applications with expiration dates ranging from 2024 to 2035. In addition, KULR has exclusive license on four patents from its partnerships. There can be no assurance, however, that the rights obtained can be successfully enforced against infringing products in every jurisdiction. While our patents, copyrights, trademarks, and trade secrets provide some advantage and protection, we believe our competitive position and future success is largely determined by such factors as the system and application knowledge, innovative skills, technological expertise and management ability and experience of our personnel; the range and success of new products being developed by us; our market brand recognition and ongoing marketing efforts; and customer service and technical support. We also have trademarks that are used in the conduct of our business to distinguish genuine KULR products; KULR has been granted trademarks for Class 9 and Class 17 applications.

## ITEM 1A. RISK FACTORS

An investment in the Company's common stock involves a high degree of risk. In determining whether to purchase the Company's common stock, an investor should carefully consider all of the material risks described below, together with the other information contained in this report before deciding to purchase the Company's securities. An investor should only purchase the Company's securities if he or she can afford to suffer the loss of his or her entire investment.

### Risks Related to Our Business and Our Industry

***We are a young company with a limited operating history, making it difficult for you to evaluate our business and your investment.***

KULR was formed in 2015 and KTC was formed in 2013. The Company, as a whole, has limited operating history. We have not yet demonstrated sales of products at a level capable of covering our fixed expenses. Since inception, we have demonstrated limited capability to produce sufficient materials to generate the ongoing revenues necessary to sustain our operations in the long-term. Nor have we demonstrated the ability to generate sufficient sales to sustain the business. There can be no assurance that the Company will ever produce a profit.

Many of the Company's products represent new products that have not yet been fully tested in commercial product settings and for which manufacturing operations have not yet been fully scaled. This means that investors are subject to all the risks incident to

the creation and development of multiple new products and their associated manufacturing processes, and each investor should be prepared to withstand a complete loss of their investment.

Because we are subject to these uncertainties, there may be risks that management has failed to anticipate and you may have a difficult time evaluating our business and your investment in our Company. Our ability to become profitable depends primarily on our ability to successfully commercialize our products in the future. Even if we successfully develop and market our products, we may not generate sufficient or sustainable revenue to achieve or sustain profitability, which could cause us to cease operations.

KULR primarily sells engineered materials or products made with these materials to other companies for incorporation into their products. Although KULR's technologies were previously used in numerous advanced space and industrial applications for NASA, there has been no significant incorporation of our materials or products into customer products that are released for commercial sale as of the date of this report. Because there is no demonstrated history of large-scale commercial success for our products, it is possible that such commercial success may never happen and that we will never achieve the level of revenues necessary to sustain our business.

***We will need to raise substantial additional capital in the future to fund our operations and we may be unable to raise such funds when needed and on acceptable terms, which could have a materially adverse effect on our business.***

We anticipate that we will incur operating losses for the foreseeable future. We will need to raise substantial additional capital to fund our operations and if we are not successful in securing additional financing on acceptable terms, we may be required to delay significantly, reduce the scope of or eliminate one or more of our research or development programs, downsize our general and administrative infrastructure, or seek alternative measures to avoid insolvency, including arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates or products.

***We could experience significant disruptions in supply from our current or future sources.***

We could experience significant disruptions as a result of global supply chain issues and, in the event of a disruption, we cannot make any assurances that we would be able to locate alternative suppliers of materials of comparable quality at an acceptable price, or alternative purchasers of our products. Identifying suitable supplier and purchasers is a resource-intensive process that requires us to become satisfied with quality control, responsiveness and service, financial stability and labor and other ethical practices. In addition, any indirect supply chain disruptions due to United States trade policy with China or the recent military conflict in Ukraine may further complicate existing supply chain constraints and direct or indirect customers' demand for our products. Interruption of our supplies and in demand of our products by our purchasers, or the loss of one or more key suppliers or purchasers, could have a negative effect on the Company's business and operating results. Any delays, interruption or increased costs or manufacture of our products could have an adverse effect on our ability to meet customer demand for our products and result in lower net sales and operating income both in the short and long term, which could in turn negatively impact our business, financial condition and the price of our shares. In addition, we cannot adequately predict the effects of the global supply chain disruptions on our customers or potential customers and the indirect effects such disruptions could have on our operations both in the short and long term, which could in turn negatively impact our business, financial condition and the price of our shares.

The conflict between Russia and Ukraine and the war between Israel and Hamas have resulted in worldwide geopolitical and macroeconomic uncertainty, and we cannot predict how the conflicts will evolve or the timing thereof. If these conflicts continue for a significant time or further expand to other countries and depending on the ultimate outcomes of these conflicts, which remain uncertain, they could have additional adverse effects on macroeconomic conditions, including but not limited to, increased costs, constraints on the availability of commodities, supply chain disruptions and decreased business spending. Furthermore, continuation of the conflicts could give rise to disruptions to our or our business partners' global technology infrastructure, including through cyber-attack or cyber-intrusion; adverse changes in international trade policies and relations; regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets, any of which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***We have limited experience in higher volume manufacturing that will be required to support profitable operations, and the risks associated with scaling to larger production quantities may be substantial.***

We have limited experience manufacturing our products. We have established small-scale commercial or pilot-scale production facilities for our carbon-based thermal management products, but these facilities do not have the existing production capacity to produce sufficient quantities of materials for us to reach sustainable sales levels. At present, we rely on outsourced partners to produce high volume products. In order to develop internal capacity to produce much higher volumes, it will be necessary to produce multiples of existing processes or engineer new production processes in some cases. We have begun building up the scale of our automated battery cell facilities in our leased facility in San Diego but there is no guarantee that we will be able to economically scale-up our production.



processes to the levels required. If we are unable to scale-up our production processes and facilities to support sustainable sales levels, the Company may be forced to curtail or cease operations.

***We have a long and complex sales cycle and have not demonstrated the ability to operate successfully in this environment.***

It has been our experience since our inception that the average sales cycle for our products can range from one to five years from the time a customer begins testing our products until the time that they could be successfully used in a commercial product. We have only demonstrated a limited track record of success in completing customer development projects, which makes it difficult for you to evaluate the likelihood of our future success. The sales and development cycle for our products is subject to customer budgetary constraints, internal acceptance procedures, competitive product assessments, scientific and development resource allocations, and other factors beyond our control. If we are not able to successfully accommodate these factors to enable customer development success, we will be unable to achieve sufficient sales to reach profitability. In this case, the Company may not be able to raise additional funds and may be forced to curtail or cease operations and you could lose all or a significant part of your investment.

***We are dependent on customers and partners to design and test our solution into new applications which may not be brought to market successfully.***

The Company targets its thermal management solution for new applications and devices that require high performance and unique features offered by its products. Developing new applications and devices involves a lengthy and complex process, and they may not be commercialized on a timely basis, or at all. The Company's success is directly related to the success of these new products. Furthermore, because the Company's solutions are relatively new to mass market consumer electronics, the design and testing time is longer than traditional solutions. Moreover, in transitioning to new technologies and products, we may not achieve design wins, our customers may delay transition to these new technologies, our competitors may transition more quickly than we do, or we may experience product delays, cost overruns or performance issues that could harm our operating results and financial condition.

***We could be adversely affected by our exposure to customer concentration risk.***

We are subject to customer concentration risk as a result of our reliance on a relatively small number of customers for a significant portion of our revenues. During 2023, we had 2 customers whose purchases, in the aggregate, accounted for 61% of total revenue. Due to the nature of our business and the relatively large size of many of the applications our customers are developing, we anticipate that we will be dependent on a relatively small number of customers for the majority of our revenues for the next several years. It is possible that only one or two customers could place orders sufficient to utilize most or all of our existing manufacturing capacity.

In this case, there would be at risk of significant loss of future revenues if one or more of these customers were to stop ordering our materials, which could in turn have a material adverse effect on our business and on your investment.

***We operate in an advanced technology arena where hypothesized properties and benefits of our products may not be achieved in practice, or in which technological change may alter the attractiveness of our products.***

Because there is no sustained history of successful use of our products in commercial applications, there is no assurance that broad successful commercial applications may be technically feasible. Some of the scientific and engineering data related to our products has been generated in our own laboratories or in laboratory environments at our customers or third-parties. It is well known that laboratory data is not always representative of commercial applications.

Likewise, we operate in a market that is subject to rapid technological change. Part of our business strategy is to monitor such change and take steps to remain technologically current, but there is no assurance that such strategy will be successful. If the Company is not able to adapt to new advances in materials sciences, or if unforeseen technologies or materials emerge that are not compatible with our products and services or that could replace our products and services, our revenues and business prospects would likely be adversely affected. Such an occurrence may have severe consequences, including the potential for our investors to lose all of their investment.

***Competitors that are larger and better funded may cause the Company to be unsuccessful in selling its products.***

The Company operates in a market that is expected to have significant competition in the future. Global research is being conducted by substantially larger companies who have greater financial, personnel, technical, and marketing resources. There can be no assurance that the Company's strategy of offering better thermal management solutions based on the Company's proprietary carbon fiber-based products will be able to compete with other companies, many of whom will have significantly greater resources, on a continuing basis. In the event that we cannot compete successfully, the Company may be forced to cease operations.



***Because of our small size and limited operating history, we are dependent on key employees.***

The Company's operations and development are dependent upon the experience and knowledge of Michael Mo, our Chief Executive Officer, Shawn Canter, our Chief Financial Officer, Dr. William Walker, our Chief Technology Officer, Keith Cochran, our President and Chief Operating Officer, Ted Krupp, our Vice President of Sales, and Michael Carpenter, our Vice President of Engineering. If the services of any of these individuals should become unavailable, the Company's business operations might be adversely affected. If several of these individuals became unavailable at the same time, the ability of the Company to continue normal business operations might be adversely affected to the extent that revenue or profits could be diminished, and you could lose all or a significant amount of your investment.

***Our success depends in part on our ability to protect our intellectual property rights, and our inability to enforce these rights could have a material adverse effect on our competitive position.***

We rely on the patent, trademark, copyright and trade-secret laws of the United States and to protect our intellectual property rights. We may be unable to prevent third parties from using our intellectual property without our authorization. The unauthorized use of our intellectual property could reduce any competitive advantage we have developed, reduce our market share or otherwise harm our business. In the event of unauthorized use of our intellectual property, litigation to protect or enforce our rights could be costly, and we may not prevail.

Many of our technologies are not covered by any patent or patent application, and our issued and pending U.S. patents may not provide us with any competitive advantage and could be challenged by third parties. Our inability to secure issuance of our pending patent applications may limit our ability to protect the intellectual property rights these pending patent applications were intended to cover. Our competitors may attempt to design around our patents to avoid liability for infringement and, if successful, our competitors could adversely affect our market share. Furthermore, the expiration of our patents may lead to increased competition.

Our pending trademark applications may not be approved by the responsible governmental authorities and, even if these trademark applications are granted, third parties may seek to oppose or otherwise challenge these trademark applications. A failure to obtain trademark registrations in the United States and in other countries could limit our ability to protect our products and their associated trademarks and impede our marketing efforts in those jurisdictions.

In addition, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in some foreign countries. We also rely on unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. Although we generally enter into confidentiality agreements with our employees and third parties to protect our intellectual property, these confidentiality agreements are limited in duration and could be breached, and may not provide meaningful protection of our trade secrets or proprietary manufacturing expertise. Adequate remedies may not be available if there is an unauthorized use or disclosure of our trade secrets and manufacturing expertise. In addition, others may obtain knowledge about our trade secrets through independent development or by legal means. The failure to protect our processes, apparatus, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on our business by jeopardizing critical intellectual property.

Where a product formulation or process is kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to our trade-secret products or processes. This could have an adverse impact on our ability to make and sell products or use such processes and could potentially result in costly litigation in which we might not prevail.

We could face intellectual property infringement claims that could result in significant legal costs and damages and impede our ability to produce key products, which could have a material adverse effect on our business, financial condition and results of operations.

***If our technologies conflict with the proprietary rights of others, we may incur substantial costs as a result of litigation or other proceedings and we could face substantial monetary damages and be precluded from commercializing our products, which would materially harm our business and financial condition.***

Patents in the thermal management solutions industry are numerous and may, at times, conflict with one another. As a result, it is not always clear to industry participants, including us, which patents cover the multitude of product types. Ultimately, the courts must determine the scope of coverage afforded by a patent and the courts do not always arrive at uniform conclusions.

A patent owner may claim that we are making, using, selling or offering for sale an invention covered by the owner's patents and may go to court to stop us from engaging in such activities. Such litigation is not uncommon in our industry. Patent lawsuits can be expensive and would consume time and other resources. There is a risk that a court would decide that we are infringing a third party's patents and would order us to stop the activities covered by the patents, including the commercialization of our products. In addition,

there is a risk that we would have to pay the other party damages for having violated the other party's patents (which damages may be increased, as well as attorneys' fees ordered paid, if infringement is found to be willful), or that we will be required to obtain a license from the other party in order to continue to commercialize the affected products, or to design our products in a manner that does not infringe a valid patent. We may not prevail in any legal action, and a required license under the patent may not be available on acceptable terms or at all, requiring cessation of activities that were found to infringe a valid patent. We also may not be able to develop a non-infringing product design on commercially reasonable terms, or at all.

***We may not obtain U.S. Government contracts to further develop our technology.***

We can give no assurances that we will be successful in obtaining government contracts. The process of applying for government contracts is lengthy, and we cannot be certain that we will be successful in complying with all requirements throughout such application process. Accordingly, we cannot be certain that we will be awarded any U.S. Government contracts utilizing our carbon fiber-based solutions.

***Downturns in general economic conditions could adversely affect our profitability.***

Downturns in general economic conditions can cause fluctuations in demand for our products, product prices, volumes and gross margins. Future economic conditions may not be favorable to our industry. A decline in the demand for our products or a shift to lower-margin products due to deteriorating economic conditions could adversely affect sales of our products and our profitability and could also result in impairments of certain of our assets.

Furthermore, any uncertainty in economic conditions may result in a slowdown to the global economy that could affect our business by reducing the prices that our customers may be able or willing to pay for our products or by reducing the demand for our products.

***An increase in the cost of raw materials or electricity might affect our profits.***

Recently, cost inflation stemming from the COVID-19 pandemic, the Ukraine/Russia crisis, the Israel/Hamas crisis, and other macroeconomic factors has caused prices to increase across various sectors of the economy. Any increase in the prices of our raw materials or energy might affect the overall cost of our products. If we are not able to raise our prices to pass on increased costs to our customers, we would be unable to maintain our existing profit margins. Our major cost components include items such as production materials and electricity, which items are normally readily available industrial commodities. During our history as a business, we have not seen any material impact on our cost structure from fluctuations in raw material or energy costs, but this could change in the future.

***Our results of operations could deteriorate if our manufacturing operations were substantially disrupted for an extended period.***

Our manufacturing operations may be subject to disruption due to extreme weather conditions, floods and similar events, major industrial accidents, strikes and lockouts, adoption of new laws or regulations, changes in interpretations of existing laws or regulations or changes in governmental enforcement policies, civil disruption, riots, terrorist attacks, war, and other events. We cannot assure you that no such events will occur. If such an event occurs, it could have a material adverse effect on us.

***We may become subject to liabilities related to risks inherent in working with hazardous materials.***

Our development and manufacturing processes involve the controlled use of hazardous materials, such as acetone. We are subject to federal, provincial and local laws and EPA regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources. We are not specifically insured with respect to this liability. Although we believe that we are in compliance in all material respects with applicable environmental laws and regulations and currently do not expect to make material capital expenditures for environmental control facilities in the near-term, if we fail to comply with these regulations substantial fines could be imposed on us and we could be required to suspend production, alter manufacturing processes or cease operations. In addition, there can be no assurance that we will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that our operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

***Significant disruptions of information technology systems, breaches of data security and other incidents could materially adversely affect our business, results of operations and financial condition.***

See Item 1C – Cybersecurity for a discussion of our information technology systems. We maintain information in digital and other forms that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information and personal information. It is critical that we do so in a secure manner to maintain the privacy, security, confidentiality, and integrity of such confidential information. Our internal information technology systems and infrastructure, and those of any future collaborators and our contractors, consultants, vendors and other third parties on which we rely, are vulnerable to damage or unauthorized access or use resulting from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, denial or degradation of service attacks, ransomware, hacking, phishing schemes intended to cause an unauthorized transfer of funds and other social engineering attacks, attachments to emails, persons inside our organization or persons with access to systems inside our organization.

Additionally, while we have implemented security measures to protect our data security and information technology systems, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service, negative publicity and other harm to our business and our competitive position. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our product development programs. Any security compromise affecting us, our partners or our industry, whether real or perceived, could harm our reputation, erode confidence in the effectiveness of our security measures and lead to regulatory scrutiny, which could materially adversely affect our business, results of operations and financial condition.

***The failure of financial institutions or transactional counterparties could adversely affect our current and projected business operation and our financial condition and results of operations.***

During March 2023, Silicon Valley Bank (“SVB”), Signature Bank and Silvergate Capital Corp. were each closed by the California Department of Financial Protection and Innovation, and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver. A statement by the Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts. The standard deposit insurance amount is up to \$250,000 per depositor, per insured bank, for each account ownership category. Although we do not have any funds deposited with the aforementioned banks that failed, we regularly maintain cash balances with other financial institutions in excess of the FDIC insurance limit. A failure of a depository institution to return deposits could impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance.

***Future adverse regulations could affect the viability of the business.***

As a small generator of hazardous substances, we are subject to local governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances, such as acetone that is used in very small quantities to manufacture our products. We are currently in compliance with these regulations. However, there can be no assurance that future regulations might not change or raise the compliance standards, of which the Company may become in violate or for which we may incur substantial costs to comply.

In most cases, as far as we are aware, there are no current regulations elsewhere in the world that prevent or prohibit the sale of the Company's products. However, there is no assurance that any regulations will not be enacted in the future to require the Company's products or production materials to be subject to test for toxicity or other health effects before they can be sold or used in the production process, if such regulations are enacted in the future, the Company's business could be adversely affected because of the requirement for expensive and time-consuming tests or other regulatory compliance. There can be no assurance that future regulations might not severely limit or even prevent the sale of the Company's products in major markets, in which case the Company's financial prospects might be severely limited, causing investors to lose some or all of their investment.

***Our directors and officers may be exposed to liability .***

We currently maintain a policy for director and officer liability insurance, also known as “D&O Insurance.” However, the maximum coverage under our D&O Insurance policy may not be sufficient to cover all such liability exposure and, as a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

***Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and will divert time and attention away from revenue generating activities.***

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the public markets and public reporting. Our management team will need to invest significant management time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased selling, general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities, which could have an adverse effect on our business.

***If we fail to maintain effective internal controls over financial reporting, the price of our common stock may be adversely affected.***

Our internal control over financial reporting could in the future have weaknesses and conditions that could require correction or remediation, the disclosure of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

***We are required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act of 2002 and if we fail to comply in a timely manner, our business could be harmed and our stock price could decline.***

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require an annual assessment of internal controls over financial reporting, and for certain issuers an attestation of this assessment by the issuer's independent registered public accounting firm. The standards that must be met for management to assess the internal controls over financial reporting as effective are complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis. It is difficult for us to predict how long it will take or how costly it will be to complete the assessment of the effectiveness of our internal control over financial reporting for each year and to remediate any deficiencies in our internal control over financial reporting. As a result, we may not be able to complete the assessment and remediation process on a timely basis. In addition, although attestation requirements by our independent registered public accounting firm are not presently applicable to us, we could become subject to these requirements in the future and we may encounter problems or delays in completing the implementation of any resulting changes to internal controls over financial reporting. In the event that our Chief Executive Officer or Chief Financial Officer determine that our internal control over financial reporting is not effective as defined under Section 404, we cannot predict how regulators will react or how the market prices of our shares will be affected; however, we believe that there is a risk that investor confidence and share value may be negatively affected.

***We may be unable to continue as a going concern.***

Management has concluded, and the report of our independent registered public accounting firm includes an explanatory paragraph stating, that there is substantial doubt about our ability to continue as a going concern for a period ending 12 months after the date of this filing. The reaction of investors to the inclusion of a going concern statement by management and our auditors and our potential inability to continue as a going concern may materially adversely affect the price of our common shares and our ability to raise new capital or enter into partnerships to raise additional capital. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements, and it is likely that investors will lose all or part of their investment. Further, the perception that we may be unable to continue as a going concern may impede our ability to pursue strategic opportunities or operate our business due to concerns regarding our ability to fulfill our contractual obligations. In addition, if there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms, or at all.

## Risks Relating to Our Common Stock

***An active, liquid and orderly market for our common stock may not develop or be sustained, and you may not be able to sell your common stock without adversely affecting the price, or at all depending on volume offered for sale at any time.***

Our common stock trades on the NYSE American LLC Exchange ("NYSE American"). We cannot assure you that an active trading market for our common stock will develop or be sustained. The lack of an active market may impair your ability to sell the common stock at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair our ability to raise capital by selling common stock and may impair our ability to acquire other businesses or technologies using our common stock as consideration, which, in turn, could materially adversely affect our business.

***We are subject to the continued listing requirements of the NYSE American. If we are unable to comply with such requirements, our common stock would be delisted from the NYSE American, which would limit investors' ability to effect transactions in our common stock and subject us to additional trading restrictions.***

Our common stock is currently listed on the NYSE American. In order to maintain our listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to these objective standards, the NYSE American may delist the securities of any issuer if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE American inadvisable; if the issuer sells or disposes of principal operating assets or ceases to be an operating company; if an issuer fails to comply with the NYSE American's listing requirements; if an issuer's common stock sells at what the NYSE American considers a "low selling price" (generally trading below \$0.20 per share for an extended period of time); or if any other event occurs or any condition exists which makes continued listing on the NYSE American, in its opinion, inadvisable.

On December 20, 2023, we received a letter (the "Letter") from the staff of NYSE American stating that the Company's stockholders' equity as reported in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 was not in compliance with the NYSE American's continued listing standards under Section 1003(a)(iii) of the NYSE American Company Guide (the "Company Guide"). Section 1003(a)(iii) of the Company Guide requires a listed company to have stockholders' equity of \$6 million or more if the listed company has reported losses from continuing operations and/or net losses in its five most recent fiscal years. The Company is now subject to the procedures and requirements of Section 1009 of the Company Guide. The Company submitted a plan to the NYSE American on January 19, 2024 advising of actions it has taken or will take to regain compliance with the continued listing standards by June 20, 2025. On March 5, 2024, we received a notification from the NYSE American that the Company's plan to regain compliance was accepted. The NYSE American has granted the Company a plan period through June 20, 2025 to regain compliance with Section 1003(a)(iii). If the Company is not in compliance with the continued listing standards by that date or if the Company does not make progress consistent with the plan during the plan period, the NYSE American may commence delisting procedures.

On February 12, 2024, we received a letter from the staff of NYSE American LLC (the "Exchange") stating that the Company's securities' performance of trading price is below compliance criteria pursuant to Section 1003(f)(v) of the NYSE American Company Guide, which the Exchange determined to be a 30-trading day average of less than \$0.20 per share. The Company's continued listing is predicated on it demonstrating sustained price improvement within a reasonable period of time, which the Exchange has determined to be no later than August 12, 2024, or otherwise effecting a reverse stock split of its common stock.

Our Common Stock will continue to be listed on the NYSE American while we attempt to regain compliance with the listing standard noted, subject to our compliance with other continued listing requirements. Our Common Stock will continue to trade under the symbol "KULR," but will have an added designation of ".BC" to indicate that we are not in compliance with the NYSE American's listing standards. The NYSE American notification does not affect our business operations or our SEC reporting requirements and does not conflict with or cause an event of default under any of our material agreements.

If the NYSE American delists our common stock from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our common stock would qualify to be quoted on the OTC Bulletin Board ® or on the Pink Sheets ® (a quotation medium operated by Pink Sheets LLC). If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;

- a determination that our common stock are a “penny stock” which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. Our research coverage by industry and financial analysts is currently limited. Even if our analyst coverage increases, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

***Shares eligible for future sale may adversely affect the market.***

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to amended Rule 144, non-affiliate stockholders may sell freely after six months subject only to the current public information requirement. Affiliates may sell after six months subject to the Rule 144 volume, manner of sale (for equity securities), and current public information and notice requirements. Any substantial sales of our common stock pursuant to Rule 144 may have a material adverse effect on the market price of our common stock.

***We could issue additional common stock, which might dilute the book value of our common stock.***

Our Board of Directors has the authority, without action or vote of our shareholders, to issue all or a part of our authorized but unissued shares. Such stock issuances could be made at a price that reflects a discount or a premium from the then-current trading price of our common stock. In addition, in order to raise capital, we have and may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances would dilute the percentage ownership interest, which would have the effect of reducing your influence on matters on which our shareholders vote and might dilute the book value of our common stock. You may incur additional dilution if holders of stock options, whether currently outstanding or subsequently granted, exercise their options, or if warrant holders exercise their warrants, whether currently outstanding or subsequently granted, to purchase shares of our common stock.

***Our common stock could be further diluted as a result of the issuance of convertible securities, warrants or options.***

In the past, we have issued convertible securities (such as convertible debentures and notes), warrants and options in order to raise money or as compensation for services and incentive compensation for our employees and directors. We have shares of common stock reserved for issuance upon the exercise of certain of these securities and may increase the shares reserved for these purposes in the future. Our issuance of these convertible securities, options and warrants could affect the rights of our stockholders, could reduce the market price of our common stock or could result in adjustments to exercise prices of outstanding warrants (resulting in these securities becoming exercisable for, as the case may be, a greater number of shares of our common stock), or could obligate us to issue additional shares of common stock to certain of our stockholders.

***We may require additional capital to support business growth, and if capital is not available to us or is available only by diluting existing stockholders, our business, operating results and financial condition may suffer.***

We may require additional capital to continue to develop and grow our business and operations, including responding to business opportunities, challenges or unforeseen circumstances, and we cannot be certain that additional financing will be available, which could limit our ability to grow and jeopardize our ability to continue our business operations. We fund our capital needs from available working capital; however, the timing of available working capital and capital funding needs may not always coincide, and the levels of working capital may not fully cover capital funding requirements. From time to time, we may need to supplement our working capital from operations with proceeds from financing activities. For instance, on May 13, 2022, we entered into a standby equity purchase agreement (the “SEPA”) with YA II PN, LTD., a Cayman Islands exempt limited partnership (“Yorkville”), whereby we have the right, but not the obligation, to sell to Yorkville up to an aggregate of \$50,000,000 of our shares of common stock, par value \$0.0001 per



share, at our request, subject to terms and conditions specified in the SEPA. We may continue to opportunistically seek access to additional funds by utilizing the SEPA. There can be no assurance that we will be able to obtain any additional financing on terms that are acceptable to us, or at all.

If we raise additional funds through issuances of equity, our existing stockholders could experience significant dilution, and any new securities we issue could have rights, preferences and privileges superior to those of holders of our shares of common stock. Additionally, any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

Further, a severe or prolonged economic downturn could result in a variety of risks to our business, including weakened demand for our products or services and our inability to raise additional capital when needed on acceptable terms, if at all. Failure to secure any necessary financing in a timely manner and on favorable terms could impair our ability to achieve our growth strategy, could harm our financial performance and stock price and could require us to delay or abandon our business plans. We cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

***Global economic uncertainty and financial market volatility caused by political instability, changes in international trade relationships and conflicts, such as the war in Ukraine and the Israel-Hamas war, could make it more difficult for us to access financing and could adversely affect our business and operations.***

Our ability to raise capital is subject to the risk of adverse changes in the market value of our stock. Periods of macroeconomic weakness or recession and heightened market volatility caused by adverse geopolitical developments could increase these risks, potentially resulting in adverse impacts on our ability to raise further capital on favorable terms. The impact of geopolitical tension, such as a deterioration in the bilateral relationship between the US and China or an escalation in conflict between Russia and Ukraine and the Israel-Hamas war, including any resulting sanctions, export controls or other restrictive actions that may be imposed by the US and/or other countries against governmental or other entities in, for example, Russia, also could lead to disruption, instability and volatility in global trade patterns, which may in turn impact our ability to source necessary reagents, raw materials and other inputs for our research and development operations.

***We do not intend to pay dividends.***

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide in our sole discretion not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of our board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our board of directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

***Voting power of our shareholders is highly concentrated by insiders.***

Our officers, directors and affiliates currently beneficially own approximately 13.7% of our outstanding Common Stock eligible to vote and 39.2% of the voting power of our voting stock. Such concentrated control of the Company may adversely affect the value of our Common Stock. If you acquire our Common Stock, you may have no effective voice in our management. Sales by our insiders or affiliates, along with any other market transactions, could affect the value of our Common Stock.

***Our Chairman and CEO owns our Series A Voting Preferred Stock and will be able to exert significant control over matters subject to shareholder approval.***

Michael Mo, our Chairman and CEO, currently beneficially owns common stock and Series A Voting Preferred Stock that provide him with 38.36% of the voting power of our voting stock. Therefore, even after further offerings, he will have the ability to substantially influence us through this ownership position. For example, he may be able to significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. His interests may not always coincide with our corporate interests or the interests of other shareholders, and he may act in a manner with which you may not agree or that may not be in the best interests of our other shareholders. So long as he continues to own a significant amount of our equity, he will continue to be able to strongly influence or effectively control our decisions.



***Our articles of incorporation allow for our board to create a new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our Common Stock.***

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors have the authority to issue up to 20,000,000 shares of our preferred stock terms of which may be determined by the Board without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of Common Stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our Common Stock.

In addition, our Board of Directors could authorize the issuance of a series of preferred stock that has greater voting power than our Common Stock or that is convertible into our Common Stock, which could decrease the relative voting power of our Common Stock or result in dilution to our existing stockholders.

On January 26, 2024, our Board of Directors approved, authorized, and ratified the issuance of 730,000 shares of previously designated Non-convertible Series A Voting Preferred Stock to the Chairman and Chief Executive Officer of the Company, Michael Mo, for no consideration, subject to the Board reserving the full and unequivocal right to revoke, rescind, transfer or otherwise cancel the issued Non-convertible Series A Voting Preferred Stock in the event Michael Mo is removed from any position with the Company or resigns from all positions with the Company.

The issuance of up to 1,000,000 shares of Non-convertible Series A Voting Preferred Stock was previously approved and authorized by a vote of the majority stockholders of the Company and reinforces and enhances the Company's flexibility to optimize the Company's negotiating position in any potential current and/or future engagements with commercial, financial, and/or strategic parties, and to provide defenses against potential hostile third-party actions. Each record holder of Non-convertible Series A Voting Preferred Stock shall have that number of votes (identical in every other respect to the voting rights of the holders of Common Stock entitled to vote at any regular or special meeting of the shareholders or by written consent) equal to one-hundred (100) votes per share of Non-convertible Series A Voting Preferred Stock held by such record holder.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Smaller reporting companies such as us are not required to provide the information required by this item.

#### **ITEM 1C. CYBERSECURITY**

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats. These risks include, among other things: operational risks, intellectual property theft, fraud, extortion, harm to employees or customers and violation of data privacy or security laws. Our customers, suppliers and subcontractors face similar cybersecurity threats, and a cybersecurity incident impacting us or any of these entities could materially adversely affect our operations, performance, and results of operations.

Cyber partners are a key part of our cybersecurity infrastructure. KULR partners with leading cybersecurity companies, leveraging third-party technology and expertise. KULR engages with these partners to monitor and maintain the performance and effectiveness of products and services that are deployed in KULR's environment.

KULR's Chief Technology Officer ("CTO"), in conjunction with our third-party providers, is responsible for assessing and managing KULR's cyber risk management program, informs senior Management regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents, and supervises such efforts.

We deploy online cybersecurity training for employees and consider this a critical step in safeguarding the Company's data and assets. The training provides employees with a baseline understanding of cybersecurity fundamentals to prevent security breaches and safely identify potential threats. The training techniques to strengthen our defensive stance against the increasing number and sophistication of cyberattacks worldwide include insider attacks, phishing and email attacks and data protection. Employee completion of cybersecurity training is tracked and monitored via an online administrative portal.

The Board of Directors oversees Management's processes for identifying and mitigating risks, including cybersecurity risks, to help align our risk exposure with our strategic objectives. Management regularly briefs the Board of Directors on our cybersecurity and information security posture, and the Board of Directors is apprised of cybersecurity incidents at quarterly Board of Directors meetings.

We maintain a cyber risk management program designed to identify, assess, manage, mitigate, and respond to cybersecurity threats. This program is integrated within the Company's enterprise risk management system and addresses both the corporate information technology ("IT") environment and customer-facing products. The underlying controls of the cyber risk management program are based on recognized best practices and standards for cybersecurity and information technology, including the National Institute of Standards and Technology ("NIST") Cybersecurity Framework ("CSF"). We conduct an annual assessment of our practices and standards against the NIST CSF.

Identifying and assessing cybersecurity risk is integrated into our overall risk management systems and processes. Cybersecurity risks related to our business, technical operations, privacy and compliance issues are identified and addressed through a multi-faceted approach including third party assessments, risk and compliance reviews, and regular meetings with KULR executives. To defend, detect and respond to cybersecurity incidents, we, among other things: conduct proactive privacy and cybersecurity reviews of systems and applications, audit applicable data policies, perform vulnerability testing using external third-party tools and techniques to test security controls, conduct employee training, monitor emerging laws and regulations related to data protection and information security and implement appropriate changes.

We face risks from cybersecurity threats that could have a material adverse effect on our business, financial condition, results of operations, cash flows or reputation. We have experienced, and may continue to experience, cyber incidents in the normal course of our business. Although prior cybersecurity incidents have not had a material adverse effect on our business, financial condition, results of operations, or cash flows, there can be no assurance that we will not suffer a material loss in the future. For a description of the risks from cybersecurity threats that may materially affect the Company, see our risk factors under Item 1A. Risk Factors, including ***Significant disruptions of information technology systems, breaches of data security and other incidents could materially adversely affect our business, results of operations and financial condition.***

## ITEM 2. PROPERTIES

Our principal executive office is located at 4863 Shawline Street, San Diego, CA 92111, and the telephone number at such address is 408-663-5247. We also lease a facility located at 555 Forge River Road, Suite 100, Webster, TX 77598, primarily used for research and development.

## ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any legal or administrative proceedings. Our current officers and directors have not been convicted in a criminal proceeding nor have they been permanently or temporarily enjoined, barred, suspended or otherwise limited from involvement in any type of business, securities or banking activities.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### *Market for Common Equity and Related Stockholder Matters*

Our common stock trades on the NYSE American LLC Exchange under the symbol “KULR.”

#### *Securities Authorized for Issuance Under Equity Compensation Plans*

On November 5, 2018, KULR adopted and ratified the KULR Technology Group 2018 Equity Incentive Plan (the “2018 Plan”). Subject to certain adjustments, the 2018 Plan, the total number of shares of common stock which may be purchased or granted directly under the plan shall not exceed fifteen million (15,000,000). The 2018 Plan is generally administered by the Board or a committee of two (2) or more independent, non-employee directors (the “Plan Committee”). The Board or the Plan Committee, as applicable, has the power to determine the participants (the “Participants”) to whom awards under the 2018 Plan (the “Plan Awards”) shall be made. The 2018 Plan allows for the award of, stock, stock options, and shares of restricted stock. Stock options granted under the Plan may be either incentive stock options (an “ISO”) qualifying under Section 422 of the Internal Revenue Codes of 1986, as amended (the “Code”) or non-qualified stock options (a “NQSO”). An ISO may only be issued to employees of KULR. ISOs may be granted to officers or directors, provided they are also employees of KULR.

The following table sets forth, as of December 31, 2023, our securities authorized for issuance under any equity compensation plans approved by our stockholders:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,722,716	\$ 1.26	7,406,405
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>3,722,716</b>	<b>\$ 1.26</b>	<b>7,406,405</b>

#### *Stock Transfer Agent*

Our stock transfer agent of our Common Stock is VStock Transfer LLC, located at 18 Lafayette Pl, Woodmere, NY 11598.

#### *Common Shareholders*

On April 9, 2024, we had approximately 116 record and street shareholders.

#### *Dividends*

The Company has not paid any dividends to date. The Company intends to employ all available funds for the growth and development of its business, and accordingly, does not intend to declare or pay any dividends in the foreseeable future.

#### *Recent Sales of Unregistered Securities*

There were no sales of unregistered securities during the fiscal year ended December 31, 2023 other than those transactions previously reported to the SEC on our quarterly reports on Form 10-Q and current reports on Form 8-K.

#### *Issuer Purchases of Equity Securities*

The Company did not repurchase any of its equity securities during the fourth quarter ended December 31, 2023.

### ITEM 6. [Reserved]

Not applicable.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

*The following discussion and analysis of the results of operations and financial condition of KULR Technology Group, Inc. ("KULR") and its wholly-owned subsidiary, KULR Technology Corporation ("KTC") (collectively referred to as "KULR" or the "Company") as of and for the years ended December 31, 2023 and 2022 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included in Item 8 in this Annual Report. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us", "we", "our" and similar terms refer to the Company. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Actual results could differ materially because of the factors discussed in Item 1A "Risk Factors" in this Annual Report, and other factors that we may not know.*

### Overview

KULR Technology Group, Inc., through our wholly-owned subsidiary KULR Technology Corporation, develops and commercializes high-performance thermal management technologies for batteries, electronics, and other components across an array of battery-powered applications. For aerospace and Department of Defense ("DOD") applications, our solutions target high performance applications in direct energy, hypersonic vehicles and satellite communications. For commercial applications, our main focus is a total solution to battery safety and sustainability by which we aim to mitigate the effects of thermal runaway propagation which has been known to cause random fires in lithium-ion ("Li-ion") batteries. This total battery safety solution can be used for electric vehicles, energy storage, battery recycling transportation, cloud computing and 5G communication devices. Our proprietary core technology is a carbon fiber material that provides what we believe to be superior thermal conductivity and heat dissipation for an ultra-lightweight and pliable material. By leveraging our proprietary cooling solutions that have been developed through longstanding partnerships with advanced technology users like NASA, the Jet Propulsion Lab and others, our products and services make commercial battery powered products safer and electronics systems cooler and lighter.

KULR's business model continues to evolve from being a component supplier, to providing more design and testing services to our customers. The next step of evolution is to provide total system solutions to address market needs. In order to scale up as a systems provider more quickly and efficiently in (i) the Li-ion battery energy storage and recycling markets, (ii) battery cell design and safety testing, and (iii) advanced thermal management systems, such as hypersonic vehicles, KULR will actively seek partners for joint venture, technology licensing and other strategic partnership models. The goal is to leverage the Company's thermal design technology expertise to create market leading products, which KULR will take to market directly to capture more value for KULR shareholders.

We have not yet achieved profitability and expect to continue to incur cash outflows from operations, as a result, we will eventually need to generate significant revenues to achieve profitability. Until that time, we shall have to continue to raise cash, as and when required, through equity or debt financings.

### Recent Developments

#### Annual Revenues

The Company reported record annual revenues of \$9.8 million for 2023, as compared to its previous revenues of \$4.0 million for 2022.

#### Liability Repayment

Subsequent to December 31, 2023, the Company repaid in full all remaining principal and interest owed in connection with the prepaid advance liability.

#### Equity Financing

On September 15, 2023, the Company completed a public offering of 8,214,285 shares of common stock, priced at \$0.35 per share, with gross proceeds of \$2,875,000 less issuance costs of \$588,230, for net proceeds of \$2,286,770.

On December 22, 2023, the Company completed a public offering of 5,175,000 shares of common stock, priced at \$0.20 per share, with gross proceeds of \$1,035,000 less issuance costs of \$257,800, for net proceeds of \$777,200.

### ***Issuance of Non-Convertible Series A Voting Preferred Stock***

On January 26, 2024, the Board of Directors ("Board") of the Company, following extensive strategic evaluation, including consultation with advisors, approved, authorized, and ratified the issuance of 730,000 shares of previously designated Non-convertible Series A Voting Preferred Stock to the Chairman and Chief Executive Officer of the Company, Michael Mo, subject to certain limitations as set forth below. The issuance of up to 1,000,000 shares of Non-convertible Series A Voting Preferred Stock was previously approved and authorized by a vote of the majority stockholders of the Company.

The issuance is subject to the Board reserving the full and unequivocal right to revoke, rescind, transfer or otherwise cancel the issued Non-convertible Series A Voting Preferred Stock in the event Michael Mo is removed from any position with the Company or resigns from all positions with the Company. This conditional arrangement is designed to ensure that the voting power conferred by the Non-convertible Series A Voting Preferred Stock remains tied to the active leadership of the Company. This underscores the Board's commitment to maintaining alignment with the long-term interests of the Company and its stockholders.

The Independent Members of the Board have determined that the issuance represents a pivotal strategic move to reinforce and enhance the Company's flexibility to optimize the Company's negotiating position in any potential current and/or future engagements with commercial, financial, and/or strategic parties, and to provide defenses against potential hostile third-party actions.

### ***Appointment of Officers and Management***

#### ***Appointment of Vice President, Sales***

On January 16, 2023, the Company appointed a Vice President of Sales (the "VP of Sales"), and issued the VP of Sales 298,507 shares of restricted common stock. The restricted common stock had a grant date fair value of \$400,000, and vests in four equal annual installments beginning January 16, 2024 based solely on continued service. The grant date fair value will be amortized ratably over the vesting period. In addition, the Company committed to a one-year guaranteed commission of \$200,000, payable in four quarterly installments as well as a severance package of \$250,000 and one-year of family health insurance if the VP of Sales is terminated without cause (as defined) within one year of hire.

#### ***Appointment of Chief Financial Officer***

On March 31, 2023, the Company appointed a Chief Financial Officer (the "CFO") and issued the CFO 1,500,000 shares of restricted stock. The restricted common stock had an aggregate grant date fair value of \$1,380,000, and vests in five equal annual installments beginning March 31, 2024 based solely on continued service.

#### ***Management Equity Incentive Grants***

On July 12, 2023, the Board unanimously approved an equity grant to the Chief Technology Officer, of 350,000 shares of restricted common stock. The restricted common stock had a grant date fair value of \$266,000 and vests in four equal annual installments beginning on July 12, 2024.

### ***Merchant Cash Advance Agreement***

On January 22, 2024, the Company entered into a merchant cash advance agreement (the "Cash Advance Agreement") whereby the Company received \$504,900 of cash (net of underwriting fees of \$35,100) and paid finder's fees in cash of \$21,600 and finder's fees to be issued in equity with an aggregate value of \$16,200, with the obligation to repay a total of \$804,600 over thirty-two weekly payments of \$25,143.75, beginning January 30, 2024. On February 26, 2024, the parties added an addendum to the agreement for an early payoff discount whereby the Company will owe \$756,000 if paid by March 22, 2024, or \$783,000 if paid by April 22, 2024.

On February 26, 2024, the Company entered into a merchant cash advance agreement (the "Second Cash Advance Agreement") with the lender mentioned above, whereby the Company received \$502,200 of cash (net of underwriting fees of \$37,800) and paid finder's fees in cash of \$21,600 and finder's fees to be issued in equity with an aggregate value of \$16,200, with the obligation to repay a total of \$804,600 over thirty weekly payments of \$26,820, beginning February 29, 2024.

### ***Recent Shareholder Vote by Majority Written Consent***

On February 9, 2024, the shareholders of the Company, acted by way of majority written consent (in lieu of a special meeting of stockholders) to approve resolutions authorizing the Company's Board of Directors to take the following actions: (1) to issue shares of Common Stock to current or future engagements with commercial or strategic parties, which may result in issuances of over 20% of

the issued and outstanding shares of Common Stock; (2) to amend the Company's Bylaws to decrease the number of shares of Common Stock needed to establish a quorum for meetings of stock holders to thirty-three-and-one-third percent (33 1/3 %) of the outstanding voting securities of the Company; (3) to amend the Certificate of Incorporation of the Company to effect a reverse split within a ratio range between 1-for-2 and 1-for-80; (4) to issue shares of common stock, in connection with an existing financing facility, which may result in the potential issuance of over 20% of the issued and outstanding shares. The resolution was approved by shareholders holding in aggregate of 55.72% of outstanding shares as of February 9, 2024.

### ***Risks Associated with Ongoing Conflicts***

The short and long-term worldwide implications of Russia's invasion of Ukraine are difficult to predict at this time. The imposition of sanctions on Russia by the United States or other countries and possible counter sanctions by Russia, and the resulting economic impacts on oil prices and other materials and goods, could affect the price of materials used in the manufacture of our product candidates. If the price of materials used in the manufacturing of our product candidates increase, that would adversely affect our business and the results of our operations.

Additionally, we do not have operations or material net sales in Israel or Gaza and we currently do not expect the recent hostilities in that region to have a material impact on our business.

We cannot predict how the events described above will evolve. If the events continue for a significant period of time or expand to other countries, and depending on the ultimate outcomes of these conflicts, which remain uncertain, they could heighten certain risks disclosed in Item 1A in this Form 10-K, including, but not limited to, adverse effects on macroeconomic conditions, including increased inflation, constraints on the availability of commodities, supply chain disruption and decreased business spending; cyber-incidents; disruptions to our or our business partners' global technology infrastructure, including through cyber-attack or cyber-intrusion; adverse changes in international trade policies and relations; claims, litigation and regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; reputational risk; and constraints, volatility, or disruption in the capital markets, any of which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

### ***Executive Officers***

Effective as of August 4, 2023, Dr. Timothy Knowles resigned from the Board of Directors, as well as any other position that he occupied with the Company.

### **Consolidated Results of Operations**

#### ***Year Ended December 31, 2023 Compared With Year Ended December 31, 2022***

#### **Revenue**

Our revenues consisted of the following types:

	For the Years Ended	
	December 31,	
	2023	2022
Revenues Recognized at a Point in Time:		
Product sales	\$ 6,903,988	\$ 2,643,325
Contract services	1,167,391	1,351,309
Total	8,071,379	3,994,634
Revenues Recognized Over Time:		
Contract services	1,758,787	—
Total Revenues	<u>\$ 9,830,166</u>	<u>\$ 3,994,634</u>

For the years ended December 31, 2023 and 2022, we generated \$9,830,166 and \$3,994,634 of revenue from 53 and 36 customers, respectively, representing an increase of \$5,835,532, or 146%.

Revenue from product sales during the year ended December 31, 2023 increased by \$4,260,663 or 161% compared to the year ended December 31, 2022, reflecting the growth in the number of customers of 39 in 2023 from 33 in 2022. Product sales during these periods include sales of our component product, carbon fiber velvet ("CFV") thermal management solution, internal short circuit ("ISC") battery cells and devices, patented TRS technology, and thermal fiber thermal interface ("FTI") materials.

Revenue from contract services during the year ended December 31, 2023 increased by \$1,574,869 or 117% compared to the year ended December 31, 2022. The increase in revenue for the year ended December 31, 2023 is primarily due to growth in customers of 17 in 2023 from 14 in 2022. This work includes unique engineering design and testing projects customized for specific customers.

Our customers and prospective customers are large organizations with multiple levels of management, controls/procedures, and contract evaluation/authorization. Furthermore, our solutions are new and do not necessarily fit into pre-existing patterns of purchase commitments. Accordingly, the business activity cycle between expression of initial customer interest to shipping, acceptance and billing can be lengthy, unpredictable, and lumpy, which can influence the timing, consistency and reporting of sales growth.

#### Cost of Revenue

Cost of revenue consisted of the cost of our products as well as labor and production overhead expenses directly related to product sales or research contract services.

Product mix plays an important part in our reported average margins for any period. Because we are introducing new products at an early stage in our development cycle and the margins earned can vary significantly between periods, customers, products and services due to the learning process, customer negotiating strengths, and product mix.

For the years ended December 31, 2023 and 2022, cost of revenues was \$6,164,310 and \$1,630,527, respectively, representing an increase of \$4,533,783, or 278%. The increase was primarily due to the increased number of customers and revenue during 2023, and the resultant cost increases from additional headcount and materials, and depreciation of automation equipment placed in service during 2023. Additionally, there was a \$0.3 million write down of our inventory to net realizable value. The gross margin percentage was 37% in 2023, compared with 59% in 2022.

The margin on product sales was 26% and 44% for the years ended December 31, 2023 and 2022, respectively. The margin on contract services was 63% and 89% for the years ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2023, the Company had depreciation expense for new automation equipment and increased costs related to finished goods manufactured internally. In addition, the Company recorded an inventory write down that represented 2% of the related revenue.

#### Research and Development

Research and development ("R&D") includes expenses incurred in connection with the R&D of our CFV thermal management solution, high-area-capacity battery electrodes, and 3D engineering for a rechargeable battery, including non-cash stock-based compensation expenses. Research and development expenses are charged to operations as incurred.

For the years ended December 31, 2023 and 2022, R&D expenses were \$6,195,400 and \$4,196,313, respectively, representing an increase of \$1,999,087 or 48%. The increase is primarily comprised of \$1,980,948 related to planned increases in headcount in order to build future capacity, amortization of prepaid cash consideration related to the Vibetech asset purchase agreement of \$375,000, stock-based compensation for equity awards of \$142,684 and rent expense of \$79,831 for a new facility for R&D initiatives designed to build future revenue growth, partially offset by a reduction in outsourced R&D costs of \$649,492.

We expect that our R&D expenses will increase as we expand our future operations.

#### Selling, General and Administrative

Selling, general and administrative expenses consisted primarily of stock-based compensation, marketing and advertising, salaries, payroll taxes and other benefits, Board compensation, accounting and tax, consulting fees, travel and entertainment, rent expense, office expenses, and legal and professional fees.

For the years ended December 31, 2023 and 2022, selling, general and administrative expenses were \$19,882,402 and \$16,453,776, respectively, an increase of \$3,428,626, or 21%. The increase is primarily due to increases in labor costs of \$1,564,020, depreciation and amortization expense of \$1,512,509 due to expansion of our facility and equipment placed in service during 2023, consulting fees to build future revenue growth of \$546,880, software license and utility fees of \$350,689, and costs to attend conferences and seminars of \$119,897, partially offset by a decrease in stock-based compensation of \$814,965.

#### Other (Expense) Income

For the years ended December 31, 2023 and 2022, other expenses, net, were \$1,281,610 and \$1,150,497, respectively, representing an increase of \$131,113 or 11%. The increase is primarily attributable to an increase in the amortization of debt discount



of \$218,405 associated with the prepaid advance liability, and a \$158,675 decline in PPP loan forgiveness, partially offset by a \$217,454 decrease in a cash repayment premium recorded in satisfaction of a note payable in September 2022.

### **Liquidity and Capital Resources**

As of December 31, 2023 and 2022, we had cash balances of \$1,194,764 and \$10,333,563, respectively, and working capital (deficit) of \$(2,994,753) and \$6,055,477, respectively.

For the years ended December 31, 2023 and 2022, cash used in operating activities was \$11,965,388 and \$17,354,125, respectively. Our cash used in operations for the year ended December 31, 2023 was primarily attributable to our net loss of \$23,693,556, adjusted for non-cash expenses in the aggregate amount of \$6,841,828, as well as \$4,886,340 of net cash generated by changes in the levels of operating assets and liabilities. Our cash used in operations for the year ended December 31, 2022 was primarily attributable to our net loss of \$19,436,479, adjusted for non-cash expenses in the aggregate amount of \$5,434,100, as well as \$3,351,746 of net cash used to fund changes in the levels of operating assets and liabilities.

For the years ended December 31, 2023 and 2022, cash used in investing activities was \$1,046,113 and \$4,647,974, respectively. Cash used in investing activities during the year ended December 31, 2023 was related to deposits paid for purchases of property and equipment of \$644,963, purchases of property and equipment of \$266,150, and an acquisition of intangible assets of \$135,000. Cash used in investing activities during the year ended December 31, 2022 was related to purchases of property and equipment of \$2,682,970, deposits paid for purchases of property and equipment of \$1,421,432 and acquisition of intangible assets of \$543,572.

For the years ended December 31, 2023 and 2022, cash provided by financing activities was \$3,872,702 and \$17,472,361, respectively. Financing activities during the year ended December 31, 2023 consisted primarily of \$3,227,702 for equity financing, net of issuance costs and the repurchase of common stock, \$2,220,000 for debt financing, net of issuance costs and \$1,575,000 for debt repayments. Financing activities for the year ended December 31, 2022 consisted primarily of \$15,220,868 for debt financing, net of issuance costs, \$3,074,293 for the exercise of warrants and stock options, \$1,000,000 for debt repayments and \$177,200 for equity financing.

As of December 31, 2023, future cash requirements for our current liabilities include \$6,232,888 for accounts payable and accrued expenses, \$1,609,200 for merchant cash advances, \$1,323,963 for capital expenditures and \$102,186 for future payments under operating leases. Future cash requirements for long-term liabilities include \$250,000 for promissory notes. These factors raise substantial doubt about the Company's ability to meet its obligations as they become due within the twelve months from the date these consolidated financial statements are issued.

Subsequent to December 31, 2023, the Company repaid in full the remaining balance of the prepaid advance liability, classified in the non-current liabilities section of our consolidated balance sheets. As of the filing date of this Form 10-K, there is no balance due on the prepaid advance. We intend to meet the rest of these cash requirements from our current cash balance, proceeds from the SEPA, proceeds from future financing activities and from future revenues, but the Company can provide no assurance that these initiatives will be successful.

Our primary source of liquidity has historically been cash generated from equity and debt offerings. Under ASC Subtopic 205-40, Presentation of Financial Statements—Going Concern ("ASC 205-40"), we have the responsibility to evaluate whether conditions and/or events raise substantial doubt about our ability to meet future financial obligations as they become due within one year after the date that the financial statements are issued. We have a history of recurring net losses, recurring use of cash in operations and declining working capital.

On December 20, 2023, we received a Stockholders' Equity Notice stating we are not in compliance with Section 1003(a)(iii) of the Company Guide since we reported stockholders' equity of \$1,200,172 at September 30, 2023, and losses from continuing operations and/or net losses in our five most recent fiscal years. On February 12, 2024, we received a Letter from NYSE stating we are not in compliance with Section 1003(f)(v) of the Company guide since our securities were trading at an average of less than \$0.20 per share for 30 days.

Subsequent to December 31, 2023, the Company issued 40,276,430 shares of common stock, at purchase prices per share ranging from \$0.13 to \$0.41, pursuant to Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$8,326,457. Of the gross proceeds, \$2,610,650 was retained by the Company to help fund operations. The remaining proceeds were applied against the remaining principal and accrued interest owed in connection with the Prepaid Advance Liability.

During the first quarter of 2024, the Company entered into two agreements whereby the Company received \$1,007,100 of cash (net of underwriting fees of \$72,900) with the obligation to repay a total of \$1,609,200 over a total of thirty-two weekly payments. See Note 18 – Subsequent Events – Merchant Cash Advance Agreement for additional details.

On January 9, 2024, the Company announced that it had completed a reduction of its total workforce of approximately 15% in an effort to allocate its resources to key business priorities to focus on improving the profitability of commercial customer engagements.

On April 2, 2024, the Company received cash proceeds of \$440,000 related to a Promissory Note comprised of an initial principal amount of \$500,000 and discount of \$60,000. The Promissory Note carries an annual interest rate of 0% and increases to 15% in the event of default, and shall be repaid in cash representing all outstanding principal and accrued and unpaid interest due on October 2, 2024, as defined by the terms of the agreement. See Note 18 – Subsequent Events – Promissory Notes for additional information.

On April 9, 2024, the Company received cash proceeds of \$200,000 related to a Promissory Note which matures on the first anniversary of its issuance and carries an annual interest rate of 16%. In the event the promissory note is prepaid within 9 months of its issuance, the holder is entitled to the repayment of principal and cash payment of interest equal to 12% of the prepayment amount. See Note 18 – Subsequent Events – Promissory Notes for additional information.

Our consolidated financial statements included elsewhere in this Annual Report on Form 10-K have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which contemplate our continuation as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not necessarily purport to represent realizable or settlement values.

#### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements between us and any other entity that have, or are reasonably likely to have, a current or future effect on financial conditions, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

#### **Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described below.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

#### **Recently Issued Accounting Pronouncements**

See Note 2 – Summary of Significant Accounting Policies of our consolidated financial statements included within Item 8 of this Annual Report for a summary of recently issued and adopted accounting pronouncements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company, as defined by Rule 229.10(f)(1) and are not required to provide the information required by this Item.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See “Index to Consolidated Financial Statements” which appears on page F-1 of this Annual Report on Form 10-K.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e)) (the "Exchange Act"). Based on the foregoing evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in its reports filed under the Exchange Act is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Management's Report on Internal Control Over Financial Reporting**

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 Framework). Based on this evaluation, our principal executive officer and principal financial officer have concluded that our internal control over financial reporting as of December 31, 2023 was effective.

#### **Changes in Internal Control Over Financial Reporting**

During the fourth fiscal quarter ended December 31, 2023, we concluded that the preventative controls that we established around electronic payments (wires, EFT's, ACH's and credit card payments) were operating effectively and would enable proper segregation of duties, thus remediating our prior material weakness related to the electronic payment process.

#### **Inherent Limitations of the Effectiveness of Controls**

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. A control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

#### **Attestation Report of Registered Public Accounting Firm**

This Annual Report does not contain an attestation report of our independent registered public accounting firm related to internal control over financial reporting because the rules for smaller reporting companies with less than \$100 million of revenue provide an exemption from the attestation requirement.

**ITEM 9B. OTHER INFORMATION**

N o n e .

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

## Executive Officers and Directors

Our executive officers and directors and their ages are as follows:

Name	Age	Office
Michael Mo	53	Chief Executive Officer and Chairman
Shawn Canter	53	Chief Financial Officer
Dr. William Walker	34	Chief Technical Officer
Keith Cochran	58	President and Chief Operating Officer
Michael Carpenter	60	Vice President of Engineering
Dr. Joanna Massey	55	Lead Director
Morio Kurosaki	67	Director

The term of office for each director is one year, or until the next annual meeting of the stockholders.

**Michael Mo** was appointed CEO and Director of the Company on March 16, 2011, is a technology entrepreneur and successful investor with over 20 years of experience in technology management, product development and marketing. In 2013, he co-founded KULR and has been serving as its CEO since then. From 2007 to 2015, Mr. Mo served as Senior Director of Business Development at Amlogic, Inc., a California high-tech company. Mr. Mo received his Master of Science in Electrical Engineering from the University of California at Santa Barbara in 1995.

**Shawn Canter** was appointed as Chief Financial Officer ("CFO") effective as of March 31, 2023. Mr. Canter is a seasoned corporate executive and board member with over 25 years of experience leading teams in hands-on roles in both institutional and early/growth stage companies bringing solutions to complex situations. He gained significant financial and transactional experience as an executive in mergers and acquisitions ("M&A") at Goldman Sachs and at Bank of America's investment banking division where he also served as Chief Operating Officer of M&A. Mr. Canter will be responsible for financial management and driving a disciplined fiscal strategy while scaling the Company through its commercialization phase. Mr. Canter received a bachelor's degree in economics and a master's degree in organizational behavior from Stanford University, as well as a JD and an MBA from the University of Michigan.

**Dr. William Walker** was appointed Chief Technical Officer, effective November 1, 2022. Dr. Walker who originally joined the Company in March 2022 as Director of Engineering, has significant experience in professional and research related activities focused on thermo-electrochemical testing and analysis of lithium-ion (Li-ion) battery assemblies and related thermal management products designed for space exploration applications. Prior to joining the Company, from October 2021 to March 2022, Dr. Walker was a Research Scientist at Underwriters Laboratories Inc. since October of 2021. From June 2012 to October 2021, Dr. Walker was employed by the National Aeronautics and Space Administration (NASA) Johnson Space Center (JSC) where he focused on designing battery assemblies for human spaceflight applications capable of safely mitigating the effects of thermal runaway and preventing cell-to-cell propagation. Dr. Walker was recognized with a NASA Trailblazer award and with the RNASA Stellar Award for early career contributions to Li-ion battery thermal analysis and calorimetry methods. Dr. Walker continues to be engaged in the academic and professional communities focused on battery safety. Dr. Walker received his B.S. in Mechanical Engineering at West Texas A&M University (WTAMU) and Ph.D. in Materials Science and Engineering at the University of Houston (UH).

**Keith Cochran** was appointed President and Chief Operating Officer effective March 1, 2021. Mr. Cochran spent twenty-four years in various management roles at Jabil Greenpoint (NYSE: JBL) and most recently as Senior Vice President of its Global Business Unit in Singapore, where he led a smartphone technology division responsible for \$3.7 billion in revenues. Mr. Cochran is based in the United States and has vast international experience working with partners in Singapore, India, Brazil, Mexico, China, France, Hungary and other countries. Mr. Cochran has a Bachelor of Science in Business Operations from Devry Institute of Technology.

**Michael Carpenter** serves as KULR's Vice President of Engineering. Mr. Carpenter has been employed by ESLI since December 1983, serving as Director of the PCM Heatsink Group, Quality Manager, Facility Security Officer (FSO) in the Defense Industrial Security Program from 1988 to 1995. He also has been served as Safety Officer since he joined ESLI in 1983. Mr. Carpenter received his B.S. in Applied Mechanics from the University of California, San Diego in 1983.

## Non-Executive Directors

**Joanna Massey** serves as a member of the Company's board of directors since June 7, 2021 and was appointed Lead Director on November 1, 2022. Dr. Massey is a public company Board Director and former Fortune 500 C-level communications executive. She helps companies expand market share and appeal to institutional investors by advising them on corporate governance, managing change, and navigating risk around environmental and social issues. In her board roles for public and private companies, Dr. Massey serves as Chair of Nominations & Governance, and she sits on the Audit, Compensation and M&A Committees. Dr. Massey has a PhD in psychology and 30 years of experience advising Chairmen and CEOs. She spent her operating career in the media and digital technology industries strategizing on global brand reputation management as Head of Communications at Condé Nast Entertainment and Senior Vice President of Corporate Communications at Lions Gate Entertainment (NYSE: LGF.A; LGF.B) and at The Hub Network, a joint venture between Discovery, Inc. (Nasdaq: WBD) and Hasbro, Inc. (Nasdaq: HAS). She also held Senior Vice President positions in communications and media relations at CBS Corporation and Viacom, Inc., now Paramount Global (Nasdaq: PARA). As a corporate communications executive, Dr. Massey managed integration during major M&A transactions at Lionsgate, CBS, and Discovery; corporate turnaround as Condé Nast pivoted from print to video; and crisis communications with consumers, employees, investors, regulators, and politicians. She is based in the United States and has international experience working with partners in Europe, the UK, China and India.

**Morio Kurosaki** serves as a member of the Company's board of directors since June 7, 2021. Mr. Kurosaki founded IT-Farm Corporation ("IT-Farm"), a Japanese venture capital firm, in 1999. Mr. Kurosaki has been the President of IT-Farm since the company's inception. Mr. Kurosaki has led early investments in notable companies such as Zoom Video Communications (Nasdaq: ZM); ContextLogic (Nasdaq: WISH); Treasure Data, acquired by ARM Holdings (Nasdaq: NVDA); Tubi, acquired by Fox Corporation (Nasdaq: FOX); Red Hot Labs, acquired by Google (Nasdaq: GOOGL); Ivl5, acquired by DoorDash (NYSE: DASH); Accel Technology, acquired by Marvell Technology Group (Nasdaq: MRVL), and Extreme DA, acquired by Synopsis (Nasdaq: SNPS). Mr. Kurosaki has also served as Asia-Pacific advisory member of ARM Holdings, acquired by SoftBank Group Corporation (OTCMKTS: SFTBY). Mr. Kurosaki started his business career at Intel Japan, thereafter, joining Western Digital Corporation (Nasdaq: WDC) as one of the earliest members of WDC's Japanese division.

### *Board Composition*

The Company's directors are elected at the annual meeting of shareholders to hold office until the annual meeting of shareholders for the ensuing year or until their successors have been duly elected and qualified. Officers are elected annually by the board of directors and serve at the discretion of the board.

Our board currently consists of three directors, Michael Mo, Morio Kurosaki, and Joanna Massey. Mr. Kurosaki and Dr. Joanna Massey are "independent" as defined under the NYSE American rules (as discussed below).

### *Family Relationships*

There are no family relationships between any director and executive officer.

### *Director Independence*

Our board of directors has determined that Morio Kurosaki and Dr. Joanna Massey are "independent," as defined under the NYSE American rules. For purposes of the NYSE American rules, an independent director means a person other than an executive officer or employee of our company or any other individual having a relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, subject to certain additional limitations.

### *Committees of the Board of Directors*

Our board of directors has established an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

## Audit Committee

The members of our Audit Committee are Morio Kurosaki and Dr. Joanna Massey, with Mr. Kurosaki serving as the Chairperson. Each of Morio Kurosaki and Dr. Joanna Massey, is independent under the rules and regulations of the SEC and the listing

standards of the NYSE American applicable to audit committee members. Our board of directors has determined that each of Morio Kurosaki and Dr. Joanna Massey qualify as an audit committee financial expert within the meaning of SEC regulations and meet the financial sophistication requirements of the NYSE American.

Our Audit Committee has the responsibility for, among other things, (i) selecting, retaining and overseeing our independent registered public accounting firm, (ii) obtaining and reviewing a report by independent auditors that describe the accounting firm's internal quality control, and any materials issues or relationships that may impact the auditors, (iii) reviewing and discussing with the independent auditors standards and responsibilities, strategy, scope and timing of audits, any significant risks, and results, (iv) ensuring the integrity of the Company's financial statements, (v) reviewing and discussing with the Company's independent auditors any other matters required to be discussed by PCAOB Auditing Standard No. 1301, (vi) reviewing, approving and overseeing any transaction between the Company and any related person and any other potential conflict of interest situations, (vii) overseeing the Company's internal audit department, (viii) reviewing, approving and overseeing related party transactions, and (ix) establishing and overseeing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

#### **Compensation Committee**

The members of our Compensation Committee are Morio Kurosaki and Dr. Joanna Massey, with Mr. Kurosaki and Dr. Massey serving as Co-Chairpersons. Our Compensation Committee has the responsibility for, among other things, (i) reviewing and approving the chief executive officer's compensation based on an evaluation in light of corporate goals and objectives, (ii) reviewing and recommending to the Board the compensation of all other executive officers, (iii) reviewing and recommending to the Board incentive compensation plans and equity plans, (iv) reviewing and discussing with management the Company's Compensation Discussion and Analysis and related information to be included in the annual report on Form 10-K and proxy statements, and (v) reviewing and recommending to the Board for approval procedures relating to Say on Pay Votes.

#### **Nominating and Corporate Governance Committee**

The members of our Nominating and Corporate Governance Committee are Morio Kurosaki and Dr. Joanna Massey, with Dr. Massey serving as the Chairperson. Our Nominating and Corporate Governance Committee has the responsibility relating to assisting the Board in, among other things, (i) identifying and screening individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors, (ii) recommending to the Board the approval of nominees for director, (ii) developing and recommending to our board of directors a set of corporate governance guidelines, and (iv) overseeing the evaluation of our board of director.

#### *Code of Ethics*

Our board of directors has adopted a Code of Business Conduct and Ethics (the "Code"). The Code applies to all of our directors, officers and employees. We have made the Code available on our website <https://www.kulrtechnology.com/governance-documents/>. We intend to disclose future amendments to, or waivers of, our Code, as and to the extent required by SEC regulations, at the same location on our website identified above or in public filings.

#### *Involvement in Certain Legal Proceedings*

Our directors, executive officers and control persons have not been involved in any of the following events during the past five years:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or



- being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

#### *Section 16(a) Beneficial Ownership Compliance*

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of the issued and outstanding shares of our common stock to file reports of initial ownership of common stock and other equity securities and subsequent changes in that ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, during the fiscal year ended December 31, 2023, our officers, directors and greater than 10% beneficial owners have complied with all applicable filing requirements of Section 16(a), except that a Form 4 for Timothy Ray Knowles was filed late, resulting in the late disclosure of one transaction in his spouse's shares over which Mr. Knowles does not have direct voting or dispositive control.

#### *Nomination Process*

As of December 31, 2023, we did not affect any material changes to the procedures by which stockholders may recommend nominees to the Board of Directors. We do not have any defined policy or procedure requirements for stockholders to submit recommendations or nominations for directors. The Board of Directors believes that, given the current stage of our development, a specific nominating policy would be premature and of little assistance until our operations develop to a more advanced level. We do not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and there is no specific process or procedure for evaluating such nominees. The Board of Directors assesses all candidates, whether submitted by management or stockholders, and makes recommendations for election or appointment.

A stockholder who wishes to communicate with the Board of Directors may do so by directing a written request addressed to our Chief Executive Officer at the address appearing on the face page of this annual report.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following Summary Compensation Table sets forth all compensation earned in all capacities during the fiscal years ended December 31, 2023 and 2022 by (i) our principal executive officer, (ii) our two most highly compensated executive officers, other than our principal executive officer, who were serving as executive officers as of December 31, 2023 and whose total compensation for the 2023 fiscal year, as determined by Regulation S-K, Item 402, exceeded \$100,000, (iii) a person who would have been included as one of our two most highly compensated executive officers, other than our principal executive officer, but for the fact that he was not serving as one of our executive officers as of December 31, 2023 (the individuals falling within categories (i), (ii) and (iii) are collectively referred to as the "Named Executive Officers"):

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Total Earned
<b>Michael Mo</b>	2023	\$ 333,649	\$ —	\$ —	\$ —	\$ 333,649
Chief Executive Officer	2022	\$ 306,159	\$ —	\$ 1,443,000	\$ —	\$ 1,749,159 (1)
<b>Shawn Canter</b>	2023	\$ 188,369	\$ —	\$ 1,380,000	\$ —	\$ 1,568,369 (2)
Chief Financial Officer	2022	\$ —	\$ —	\$ —	\$ —	\$ —
<b>William Walker</b>	2023	\$ 223,703	\$ —	\$ 266,000	\$ —	\$ 489,703 (3)
Chief Technology Officer	2022	\$ 151,250	\$ 12,000	\$ 309,000	\$ —	\$ 472,250 (4)

- (1) Includes the incremental value of an equity modification for 1,500,000 shares of the Company's common stock previously deemed to be earned upon achieving market capitalization milestones up to \$4 billion, which will now vest in four equal increments over four years.
- (2) Includes cash compensation earned from date of hire March 31, 2023 through December 31, 2023. Also includes 1,500,000 shares of the Company's common stock which vest in five equal increments over five years.
- (3) Includes 350,000 shares of the Company's common stock which vest in four equal increments over four years.
- (4) Includes cash compensation earned from date of hire March 16, 2022 through December 31, 2022. Also includes 150,000 shares of the Company's common stock which vest in four equal increments over four years.

### Employment Contracts; Termination of Employment and Change-in-Control Arrangements

We have not entered into employment agreements with our officers and directors and our Board of Directors has the sole discretion to pay salaries and incentive bonuses, including merit-based cash and equity bonuses.

During the year ended December 31, 2023, the Board, at the recommendation of the Compensation Committee, approved the following compensation for each of the following officers of the Company:

- On February 2, 2023, the Board approved the appointment of Shawn Canter as the Chief Financial Officer. In connection with his appointment, the Board authorized an annual salary of \$250,000 and granted Mr. Canter 1,500,000 shares of the company's common stock, which shall vest in five equal annual installments.
- On July 12, 2023, the Board granted Dr. William Walker 350,000 shares of the Company's common stock, which shall vest in four equal annual installments.

### Equity Compensation Plans

On August 15 and November 5, 2018, the Board of Directors and a majority of the Company's shareholders, respectively, approved the 2018 Equity Incentive Plan (the "2018 Plan"). Under the 2018 Plan, 15,000,000 shares of common stock of the Company are authorized for issuance. The 2018 Plan provides for the issuance of incentive stock options, non-statutory stock options, rights to purchase common stock, stock appreciation rights, restricted stock, and restricted stock units to employees, directors and consultants of the Company and its affiliates. The 2018 Plan requires the exercise price of stock options to be not less than the fair value of the Company's common stock on the date of grant.

### Compensation of Directors

On November 1, 2022, the Board of the Company appointed a Lead Independent Director ("Lead Director") and a non-Lead Independent Director ("non-Lead Director") of the Board, to hold office until the earlier of the expiration of the term of office of the director whom they have replaced, successors are duly elected and qualified, or the earlier of such director's death, resignation,

disqualification, or removal. Furthermore, the Lead Director will receive annual cash compensation equal to \$150,000 upon their appointment and the non-Lead Independent Director ("non-Lead Director") will receive annual cash compensation equal to \$95,000. Additionally, all independent Board members were granted 37,500 shares of common stock, which shares vested quarterly in 7,500 share installments and were fully vested as of December 31, 2023.

### Compensation Recovery Policy

We have adopted a compensation recovery policy, effective as of November 29, 2023, that complies with the new SEC rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Clawback Policy"). Subject to the terms of the Clawback Policy, the Clawback Policy requires us to recover certain cash or equity-based incentive compensation payments or awards made or granted to an executive officer in the event we are required to prepare an accounting restatement due to our material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. See Exhibit 97 which includes our full Clawback Policy.

### Outstanding Equity Awards at Fiscal Year-End

The following table discloses information regarding outstanding equity awards granted or accrued as of December 31, 2023, for our named executive officers.

Outstanding Equity Awards		
Stock Awards		
Name	Number of Shares or Units of Stock that have not vested (#)	Market Value of Units of Stock that have not vested (\$)
Michael Mo (Chief Executive Officer)	1,125,000	\$ 213,750
Shawn Canter (Chief Financial Officer)	1,500,000	285,000
Dr. William Walker (Chief Technology Officer)	450,000	85,500

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides the names and addresses of each person known to us who own more than 5% of the outstanding common stock as of the date of this annual report, and by our officers and directors as of April 9, 2024. Except as otherwise indicated, all shares are owned directly. Unless otherwise indicated, the address of each of the persons shown is c/o KULR Technology Group, Inc., 4863 Shawline Street, San Diego, CA 92111. Each record holder of Non-convertible Series A Voting Preferred Stock shall have that number of votes (identical in every other respect to the voting rights of the holders of Common Stock entitled to vote at any regular or special meeting of the shareholders or by written consent) equal to one hundred (100) votes per share of Non-convertible Series A Voting Preferred Stock held by such record holder.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percentage Ownership <sup>(1)</sup>	Vote With Series A
Michael Mo (2) - CEO and Chairman	21,155,110	12.27 %	38.36 %
Shawn Canter (3) - CFO	300,000	*	
Dr. William Walker (4) - CTO	50,000	*	
Keith Cochran (5) - President and COO	500,000	*	
Michael Carpenter - VP of Engineering	500,000	*	
Morio Kurosaki (6) - Director	557,500	*	
Dr. Joanna Massey (7) - Director	67,500	*	
All directors and executive officers as a group (7 persons)	23,130,110	13.64 %	39.16 %
Beneficial owners of more than 5%			
Dr. Timothy Knowles (8) - Former Director, Executive Technical Fellow and Secretary	14,938,387	8.66 %	6.09 %

\* Less than 1%

(1) The percent of class is based on 172,469,307 shares outstanding and entitled to vote, as of April 9, 2024, which excludes 131,162 treasury shares and 465,000 outstanding shares that are not vested and are not entitled to vote.

- (2) Consists of 19,755,110 shares held directly by Mr. Mo and 1,400,000 shares held jointly by Mr. Mo and his spouse, Linda Mo, and excludes shares held by Mr. Mo's son Alexander Mo and shares held by Mr. Mo's son Brandon Mo, over which shares Mr. Mo disclaims beneficial ownership, as Mr. Mo has no control over the dispositive or voting power over the shares and his sons no longer live in the same household as Mr. Mo. Does not include a restricted stock award of 1,500,000 shares of the Company's common stock that does not vest within 60 days of April 9, 2024.
- (3) Does not include a restricted stock award of 1,200,000 shares of the Company's common stock that does not vest or settle within 60 days of April 9, 2024.
- (4) Does not include 450,000 restricted stock grants that do not vest within 60 days of April 9, 2024.
- (5) Does not include a restricted stock award of 1,000,000 shares of the Company's common stock that does not vest within 60 days of April 9, 2024.
- (6) Consists of 20,000 vested shares of common stock granted by the Company, on June 7, 2021, the effective date of Mr. Kurosaki's appointment as a director of the Company, 37,500 vested shares of common stock granted by the Company on November 1, 2022, 400,000 shares of common stock acquired prior to being appointed director, and 100,000 shares held by IT-Farm Corporation, a Japanese venture and capital firm, of which Mr. Kurosaki is the founder and President.
- (7) Consists of 20,000 vested shares of common stock granted by the Company, on June 7, 2021, the effective date of Dr. Massey's appointment as a director of the Company, 37,500 vested shares granted by the Company on November 1, 2022, and 10,000 shares of common stock acquired in open market purchases.
- (8) Consists of 14,268,027 shares held directly by Mr. Knowles, 670,360 shares held by Mr. Knowles' wife, Marianne Knight who maintains all voting and dispositive control over shares she owns, and excludes 1,500,000 shares held by Mr. Knowles' daughter, Sonja Irene Knowles, over which shares Mr. Knowles disclaims beneficial ownership, as Mr. Knowles has no control over the dispositive or voting power over the shares and his daughter no longer lives in the same household as Mr. Knowles.

#### *Change in Control*

We are not aware of any arrangement that might result in a change in control of the Company.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Other than as set forth below and compensation arrangements, including employment, and indemnification arrangements, discussed, there have been no transactions since January 1, 2022, in which the amount involved in the transaction exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets as at the year-end for the last two completed fiscal years, and to which any of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

#### **Other Transactions**

None.

#### **Director Independence**

The Board evaluates the independence of each nominee for election as a director of our Company in accordance with the NYSE American rules. Pursuant to these rules, a majority of our Board must be "independent directors" within the meaning of the NYSE American Rules, and all directors who sit on our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee must also be independent directors.

Our board of directors has determined that Morio Kurosaki and Dr. Joanna Massey are "independent," as defined under the NYSE American rules. For purposes of the NYSE American rules, an independent director means a person other than an executive officer or employee of our company or any other individual having a relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, subject to certain additional limitations.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following is a summary of the fees billed or expected to be billed to us by Marcum LLP, our independent registered public accounting firm for professional services rendered with respect to the fiscal years ended December 31, 2023 and 2022:

	For the Fiscal Year Ended December 31,	
	2023	2022
Audit Fees	\$ 339,025	\$ 208,060
Tax Fees	—	—
<b>Total</b>	<b>\$ 339,025</b>	<b>\$ 208,060</b>

*Audit Fees*

Audit fees consist of fees billed for services rendered by Marcum LLP during the years ended December 31, 2023 and 2022 for the annual audit and quarterly reviews of our financial statements, as well as registration statements and comfort letters.

*Tax Fees*

Tax fees consist of fees billed for services rendered by our independent auditors during the years ended December 31, 2023 and 2022 in connection with the preparation and filing of our income tax returns.

*Pre-Approval Policies*

Our Audit Committee has adopted a policy governing the pre-approval by the Board of Directors of all services, audit and non-audit, to be provided to our Company by our independent auditors. Under the policy, the Audit Committee has pre-approved the provision by our independent auditors of specific audit, audit related, tax and other non-audit services as being consistent with auditor independence. Requests or applications to provide services that require the specific pre-approval of the board of directors must be submitted to the Audit Committee by the independent auditors, and the independent auditors must advise the Audit Committee as to whether, in the independent auditor's view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has considered the nature and amount of the fees billed by Marcum and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining the independence of Marcum.

**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#">Share Exchange Agreement, dated June 8, 2017 (1)</a>
3.1	<a href="#">Articles of Incorporation of the Company (2)</a>
3.2	<a href="#">Bylaws of the Company (2)</a>
3.3	<a href="#">Certificate of Incorporation of KULR Technology Corporation (3)</a>
3.4	<a href="#">Amended and Restated Certificate of Incorporation of KULR Technology Corporation (3)</a>
3.5	<a href="#">By-laws of KULR Technology Corporation (3)</a>
3.6	<a href="#">Certificate of Designation of Series A Voting Preferred Stock, filed on June 6, 2017 (1)</a>
3.7	<a href="#">Certificate of Amendment to the Certificate of Incorporation, effective August 30, 2018 (8)</a>
3.8	<a href="#">Certificate of Designation of Series B Convertible Preferred Stock, filed on December 6, 2018 (9)</a>
3.9	<a href="#">Certificate of Amendment to the Certificate of Incorporation, effective December 31, 2018 (10)</a>
3.10	<a href="#">Certificate of Designation of Series C Convertible Preferred Stock, filed on August 19, 2019 (11)</a>
3.11	<a href="#">Form of Certificate of Designation for Series D Convertible Preferred Stock (20)</a>
4.1	<a href="#">Description of registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934*</a>
10.1	<a href="#">License and Development Agreement, dated April 15, 2013 (3)</a>
10.2	<a href="#">Consulting Agreement, dated April 15, 2013 (3)</a>
10.3	<a href="#">Letter of Intent by and between the Company and E3 Enterprise, dated April 20, 2016 (4)</a>
10.4	<a href="#">Letter of Intent by and between the Company and KULR Technology Corporation (5)</a>
10.5	<a href="#">Patent Assignment Agreement, dated November 10, 2016 (3)</a>
10.6	<a href="#">Promissory Note issued by KULR Technology Corporation, dated March 31, 2017 (6)</a>
10.7	<a href="#">Promissory Note issued by KULR Technology Corporation, dated June 8, 2017 (1)</a>
10.8	<a href="#">Consulting Agreement, dated March 15, 2018 (7)</a>
10.9	<a href="#">2018 KULR Technology Group Equity Incentive Plan (12)</a>
10.10	<a href="#">Securities Purchase Agreement dated April 2, 2019 (13)</a>
10.11	<a href="#">Subscription Agreement, as supplemented, for Common Stock Offering (14)</a>
10.12	<a href="#">Rescission and Termination Agreement dated July 5, 2019 (15)</a>
10.13	<a href="#">Form of Subscription Agreement (16)</a>
10.14	<a href="#">Form of Warrant (16)</a>
10.15	<a href="#">Standby Equity Distribution Agreement dated February 27, 2020 (17)</a>

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10.16	<a href="#"><u>Note Purchase Agreement dated February 27, 2020 (17)</u></a>
10.17	<a href="#"><u>Promissory Note dated February 27, 2020 (17)</u></a>
10.18	<a href="#"><u>Note Purchase Agreement dated July 20, 2020 (18)</u></a>
10.19	<a href="#"><u>Promissory Note dated July 20, 2020 (18)</u></a>
10.20	<a href="#"><u>Form of Securities Purchase Agreement (19)</u></a>
10.21	<a href="#"><u>Form of Warrant (19)</u></a>
10.22	<a href="#"><u>Co-Placement Agency Agreement (19)</u></a>
10.23	<a href="#"><u>Form of Securities Purchase Agreement dated May 19, 2021 (20)</u></a>
10.24	<a href="#"><u>Form of Warrant (20)</u></a>
10.25	<a href="#"><u>Standby Equity Purchase Agreement, dated May 13, 2022, by and between KULR Technology Group, Inc. and YA II PN, Ltd. (21)</u></a>
10.26	<a href="#"><u>Note Purchase Agreement, dated May 13, 2022, by and between KULR Technology Group, Inc. and YA II PN, Ltd. (21)</u></a>
10.27	<a href="#"><u>Promissory Note, dated May 13, 2022 (21)</u></a>
10.28	<a href="#"><u>Amendment, dated June 3, 2022, to the Standby Equity Purchase Agreement by and between KULR Technology Group, Inc. and YA II PN, Ltd. (22)</u></a>
10.29	<a href="#"><u>Supplemental Agreement dated as of September 23, 2022 to the Standby Equity Purchase Agreement dated as of May 16, 2022 between KULR Technology Group, Inc. and YA II PN, LTD. (23)</u></a>
10.30	<a href="#"><u>Asset Purchase Agreement, effective as of October 6, 2022, by and among KULR Technology Group, Inc., Vibetech International, LLC, and Norman Serrano (24)</u></a>
10.31	<a href="#"><u>Underwriting Agreement dated December 20, 2023 by and between KULR Technology Group, Inc. and R.F. Lafferty &amp; Co., Inc. (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on September 13, 2023)</u></a>
10.32	<a href="#"><u>Letter Agreement dated August 16, 2023, by and among KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 16, 2023)</u></a>
10.33	<a href="#"><u>Amendment Letter Agreement dated August 22, 2023, by and among KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 22, 2023)</u></a>
10.34	<a href="#"><u>Amendment Letter Agreement dated August 30, 2023, by and among KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 30, 2023)</u></a>
10.35	<a href="#"><u>Amendment Letter Agreement dated December 19, 2023, by and among KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 19, 2023)</u></a>
10.36	<a href="#"><u>Amendment Letter Agreement dated January 9, 2024, by and among KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 9, 2024)</u></a>



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10.37	<a href="#">Amendment Letter Agreement dated February 13, 2024, by and among KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 13, 2024)</a>
21.1	<a href="#">List of Subsidiaries (3)</a>
23.1*	<a href="#">Consent of Marcum LLP*</a>
31.1*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
97*	<a href="#">Clawback Policy, effective November 29, 2023</a>
101.INS	Inline XBRL Instance*
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation*
101.DEF	Inline XBRL Taxonomy Extension Definition*
101.LAB	Inline XBRL Taxonomy Extension Labels*
101.PRE	Inline XBRL Taxonomy Extension Presentation*
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)*

\* Filed herewith.

\*\* Furnished herewith.

- (1) Previously filed as an exhibit to Form 8-K on June 12, 2017 and incorporated herein by this reference.
- (2) Previously filed as an exhibit on Form 10-12G on January 7, 2016 (File No.: 000-55564) and incorporated herein by this reference.
- (3) Previously filed as an exhibit to Form 8-K on June 19, 2017 and incorporated herein by this reference.
- (4) Previously filed on Form S-1 on June 28, 2016 (File No.: 333-212272) and incorporated herein by this reference.
- (5) Previously filed as an exhibit to Form 8-K on November 3, 2016 and incorporated herein by this reference.
- (6) Previously filed as an exhibit to Form 8-K on April 5, 2017 and incorporated herein by this reference.
- (7) Previously filed as an exhibit to Form 8-K on March 15, 2018 and incorporated herein by this reference.
- (8) Previously filed as an exhibit to Form 8-K on August 30, 2018 and incorporated herein by this reference.
- (9) Previously filed as an exhibit to Form 8-K on December 6, 2018 and incorporated herein by this reference.
- (10) Previously filed as an exhibit to Form 8-K on January 7, 2019 and incorporated herein by this reference.
- (11) Previously filed as an exhibit to Form 8-K on August 23, 2019 and incorporated herein by this reference.

- (12) Previously filed as an exhibit to Form S-8 on October 9, 2018 and incorporated herein by this reference.
- (13) Previously filed as an exhibit to Form 8-K on April 3, 2019 and incorporated herein by this reference.
- (14) Previously filed as an exhibit to Form 10-Q on May 14, 2019 and incorporated herein by this reference.
- (15) Previously filed as an exhibit to Form 8-K on July 5, 2019 and incorporated herein by this reference.
- (16) Previously filed as an exhibit to Form 8-K on December 5, 2019 and incorporated herein by this reference.
- (17) Previously filed as an exhibit to Form 8-K on March 4, 2020 and incorporated herein by this reference.
- (18) Previously filed as an exhibit to Form 8-K on July 21, 2020 and incorporated herein by this reference.
- (19) Previously filed as an exhibit to Form 8-K on December 31, 2020 and incorporated herein by this reference.
- (20) Previously filed as an exhibit to Form 8-K on May 20, 2021 and incorporated herein by this reference.
- (21) Previously filed as an exhibit to Form 8-K on May 16, 2022 and incorporated herein by this reference.
- (22) Previously filed as an exhibit to Form 8-K on June 3, 2022 and incorporated herein by this reference.
- (23) Previously filed as an exhibit to Form 8-K on September 23, 2022 and incorporated herein by this reference.
- (24) Previously filed as an exhibit to Form 8-K on October 6, 2022 and incorporated herein by this reference.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

April 12, 2024

**KULR Technology Group, Inc.**

By: /s/ Michael Mo

Michael Mo  
Chief Executive Officer and Chairman  
(Principal Executive Officer)

By: /s/ Shawn Canter

Shawn Canter  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ Michael Mo</u> Michael Mo	Chief Executive Officer and Chairman	April 12, 2024
By: <u>/s/ Shawn Canter</u> Shawn Canter	Chief Financial Officer	April 12, 2024
By: <u>/s/ Joanna Massey</u> Joanna Massey	Lead Director	April 12, 2024
By: <u>/s/ Morio Kurosaki</u> Morio Kurosaki	Director	April 12, 2024

**KULR TECHNOLOGY GROUP INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Stockholders and Board of Directors of  
KULR Technology Group, Inc.**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of KULR Technology Group, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

**Explanatory Paragraph – Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a working capital deficit, has incurred losses from operations, and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Marcum LLP

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Marcum LLP  
We have served as the Company's auditor since 2018.  
Los Angeles, CA  
April 12, 2024

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2023	2022
<b>Assets</b>		
Current Assets:		
Cash	\$ 1,194,764	\$ 10,333,563
Accounts receivable	901,672	1,542,118
Inventory	1,149,047	1,962,035
Inventory deposits	27,500	285,260
Prepaid expenses and other current assets	631,361	1,613,008
Total Current Assets	3,904,344	15,735,984
Property and equipment, net	4,698,144	3,193,041
Equipment deposits	1,332,436	3,514,937
Security deposits	10,228	60,441
Intangible assets, net	719,395	720,768
Right of use asset, net	129,202	328,941
Deferred financing costs, net	70,607	71,818
Total Assets	<u>\$ 10,864,356</u>	<u>\$ 23,625,930</u>
<b>Liabilities and Stockholders' (Deficit) Equity</b>		
Current Liabilities:		
Accounts payable	\$ 2,769,544	\$ 1,408,017
Accrued expenses and other current liabilities	3,463,344	2,142,277
Accrued issuable equity	13,002	227,956
Lease liability, current portion	102,186	223,645
Prepaid advance liability, net of discount, current portion	—	5,655,612
Deferred revenue	551,021	23,000
Total Current Liabilities	6,899,097	9,680,507
Notes payable, non-current portion	250,000	—
Lease liability, non-current portion	—	97,958
Prepaid advance liability, net of discount, non-current portion	5,892,056	3,196,678
Accrued interest, non-current	5,899	157,054
Total Liabilities	13,047,052	13,132,197
Commitments and contingencies (Note 16)		
Stockholders' (Deficit) Equity		
Preferred stock, \$ 0.0001 par value, 20,000,000 shares authorized		
Series A Preferred Stock, 1,000,000 shares designated; none issued and outstanding at December 31, 2023 and 2022	—	—
Series B Convertible Preferred Stock, 31,000 shares designated; none issued and outstanding at December 31, 2023 and 2022	—	—
Series C Preferred Stock, 400 shares designated; none issued and outstanding at December 31, 2023 and 2022	—	—
Series D Preferred Stock, 650 shares designated; none issued and outstanding at December 31, 2023 and 2022	—	—
Common stock, \$ 0.0001 par value, 500,000,000 shares authorized; 134,031,669 and 133,900,507 shares issued and outstanding at December 31, 2023, respectively; 113,202,749 and 113,071,587 shares issued and outstanding at December 31, 2022, respectively	13,403	11,320
Additional paid-in capital	64,387,717	53,372,673
Treasury stock, at cost; 131,162 shares held at December 31, 2023 and 2022.	( 296,222 )	( 296,222 )
Accumulated deficit	( 66,287,594 )	( 42,594,038 )
Total Stockholders' (Deficit) Equity	( 2,182,696 )	10,493,733
Total Liabilities and Stockholders' (Deficit) Equity	<u>\$ 10,864,356</u>	<u>\$ 23,625,930</u>

The accompanying notes are an integral part of these consolidated financial statements.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2023	2022
<b>Revenue</b>	<b>\$ 9,830,166</b>	<b>\$ 3,994,634</b>
Cost of revenue	6,164,310	1,630,527
Gross Profit	3,665,856	2,364,107
<b>Operating Expenses</b>		
Research and development	6,195,400	4,196,313
Selling, general, and administrative	19,882,402	16,453,776
Total Operating Expenses	26,077,802	20,650,089
Loss From Operations	( 22,411,946 )	( 18,285,982 )
<b>Other (Expense) Income</b>		
Interest expense	( 718,420 )	( 935,874 )
Gain on forgiveness of PPP loan and interest	—	158,675
Amortization of debt discount	( 730,230 )	( 511,825 )
Loss on debt extinguishment	—	( 8,508 )
Change in fair value of accrued issuable equity	167,040	147,035
Total Other Expense, net	( 1,281,610 )	( 1,150,497 )
<b>Net Loss</b>	<b>\$ ( 23,693,556 )</b>	<b>\$ ( 19,436,479 )</b>
Net Loss Per Share - Basic and Diluted	\$ ( 0.20 )	\$ ( 0.18 )
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	117,820,740	105,655,773

The accompanying notes are an integral part of these consolidated financial statements.



**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Common Stock		Additional	Treasury Stock		Accumulated	Total
	Shares	Amount	Paid-In Capital	Shares	Amount	Deficit	Stockholders' Equity (Deficit)
<b>Balance - January 1, 2023</b>	113,202,749	\$ 11,320	\$ 53,372,673	131,162	( 296,222 )	\$ ( 42,594,038 )	\$ 10,493,733
Common stock issued for the repayment of prepaid advance liability and related interest accrual pursuant to Investor Notices	4,078,971	408	4,466,219	—	—	—	4,466,627
Common stock issued for the repayment of prepaid advance liability and related interest accrual pursuant to Advance Notices <sup>(1)</sup>	905,833	90	165,036	—	—	—	165,126
Shares repurchased for payroll taxes and canceled	( 175,000 )	( 17 )	( 229,232 )	—	—	—	( 229,249 )
Common stock issued pursuant to the equity financing for cash, net of issuance costs <sup>(2)</sup>	13,389,285	1,339	3,062,631	—	—	—	3,063,970
Stock-based compensation:							
Restricted stock awards granted	2,218,508	222	( 222 )	—	—	—	—
Unvested restricted stock awards canceled	( 140,000 )	( 14 )	14	—	—	—	—
Common stock issued for services	551,323	55	268,765	—	—	—	268,820
Amortization of restricted common stock	—	—	3,124,174	—	—	—	3,124,174
Amortization of stock options	—	—	157,659	—	—	—	157,659
Net loss	—	—	—	—	—	( 23,693,556 )	( 23,693,556 )
<b>Balance - December 31, 2023</b>	<b>134,031,669</b>	<b>\$ 13,403</b>	<b>\$ 64,387,717</b>	<b>131,162</b>	<b>\$ ( 296,222 )</b>	<b>\$ ( 66,287,594 )</b>	<b>\$ ( 2,182,696 )</b>

(1) Represents gross proceeds of \$ 166,337 less \$ 1,211 amortization of deferred financing costs.

(2) Represents gross proceeds of \$ 3,910,000 less issuance costs of \$ 846,030 .

The accompanying notes are an integral part of these consolidated financial statements.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Common Stock		Additional	Treasury Stock		Accumulated	Total
	Shares	Amount	Paid-In	Shares	Amount	Deficit	Stockholders' Equity
<b>Balance - January 1, 2022</b>	104,792,072	\$ 10,479	\$ 39,512,122	—	\$ —	\$ ( 23,157,559 )	\$ 16,365,042
Treasury stock held upon the vesting of restricted common stock	—	—	—	194,704	( 439,728 )	—	( 439,728 )
Treasury stock issued upon the exercise of options	—	—	( 95,124 )	( 63,542 )	143,506	—	48,382
Common stock issued upon the exercise of options	2,500	—	5,075	—	—	—	5,075
Common stock issued upon the exercise of warrants	2,416,668	242	3,020,594	—	—	—	3,020,836
Common stock issued pursuant to the SEPA and Supplemental SEPA agreements:							
For cash, net of issuance costs <sup>(1)</sup>	160,782	16	249,002	—	—	—	249,018
In satisfaction of notes payable	94,458	9	149,991	—	—	—	150,000
For the repayment of prepaid advance liability <sup>(2)</sup>	5,375,269	538	6,440,305	—	—	—	6,440,843
Stock-based compensation:							
Restricted stock awards	310,000	31	( 31 )	—	—	—	—
Common stock issued for services	51,000	5	109,845	—	—	—	109,850
Amortization of restricted stock units	—	—	1,945,272	—	—	—	1,945,272
Amortization of stock options	—	—	103,220	—	—	—	103,220
Amortization of market-based award	—	—	1,932,402	—	—	—	1,932,402
Net loss	—	—	—	—	—	( 19,436,479 )	( 19,436,479 )
<b>Balance - December 31, 2022</b>	<u>113,202,749</u>	<u>\$ 11,320</u>	<u>\$ 53,372,673</u>	<u>131,162</u>	<u>\$ ( 296,222 )</u>	<u>\$ ( 42,594,038 )</u>	<u>\$ 10,493,733</u>

(1) Represents gross proceeds of \$ 250,000 less \$ 982 for amortization of deferred issuance costs.

(2) Represents gross proceeds of \$ 6,693,976 less \$ 253,133 for amortization of debt discount.

The accompanying notes are an integral part of these consolidated financial statements.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,	
	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ ( 23,693,556 )	\$ ( 19,436,479 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	730,230	511,825
Non-cash lease expense	250,893	193,106
Loss on debt extinguishment	-	8,508
Depreciation and amortization expense	2,214,095	259,399
Gain on forgiveness of PPP loan and interest	—	( 158,675 )
Change in fair value of accrued issuable equity	( 167,040 )	( 147,035 )
Non-cash interest expense	—	576,932
Stock-based compensation	3,502,736	4,175,014
Provision for credit losses	16,978	15,026
Inventory write down	293,941	—
Changes in operating assets and liabilities:		
Accounts receivable	623,473	( 1,420,818 )
Inventory	519,047	( 1,770,724 )
Inventory deposits	257,760	( 3,072 )
Prepaid expenses and other current assets	981,647	( 1,324,836 )
Security deposits	50,213	( 1,500 )
Accounts payable	754,056	658,715
Accrued expenses and other current liabilities	1,442,690	824,826
Lease liability	( 270,571 )	( 205,034 )
Deferred revenue	528,021	( 109,303 )
<b>Total Adjustments</b>	<b>11,728,169</b>	<b>2,082,354</b>
<b>Net Cash Used In Operating Activities</b>	<b>( 11,965,387 )</b>	<b>( 17,354,125 )</b>
<b>Cash Flows From Investing Activities:</b>		
Deposits for purchase of property and equipment	( 644,963 )	( 1,421,432 )
Purchases of property and equipment	( 266,150 )	( 2,682,970 )
Acquisition of intangible assets	( 135,000 )	( 543,572 )
<b>Net Cash Used In Investing Activities</b>	<b>( 1,046,113 )</b>	<b>( 4,647,974 )</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from equity financing	3,910,000	—
Issuance costs on equity financing	( 453,050 )	—
Proceeds from the SEPA	—	250,000
Proceeds from prepaid advance liability	2,000,000	10,573,068
Issuance costs on prepaid advance liability	( 30,000 )	( 85,000 )
Repayments of prepaid advance liability	( 1,575,000 )	—
Proceeds from notes payable <sup>(1)</sup>	250,000	4,750,000
Issuance costs on notes payable	—	( 17,200 )
Repayments of note payable	—	( 1,000,000 )
Payment of financing costs incurred in connection with the SEPA	—	( 72,800 )
Repurchase of common stock	( 229,249 )	-
Proceeds from the exercise of stock options	—	53,457
Proceeds from the exercise of warrants	—	3,020,836
<b>Net Cash Provided By Financing Activities</b>	<b>3,872,701</b>	<b>17,472,361</b>
<b>Net Decrease In Cash</b>	<b>( 9,138,799 )</b>	<b>( 4,529,738 )</b>
<b>Cash - Beginning of Year</b>	<b>10,333,563</b>	<b>14,863,301</b>
<b>Cash - End of Year</b>	<b>\$ 1,194,764</b>	<b>\$ 10,333,563</b>

<sup>(1)</sup> Face value of \$ 5,000,000 , less \$ 250,000 original issue discount for 2022.

The accompanying notes are an integral part of these consolidated financial statements.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED**

	For the Years Ended December 31,	
	2023	2022
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$ 314,731	\$ 86,062
Income taxes	\$ —	\$ —
Non-cash investing and financing activities:		
Right of use asset for lease liability	\$ 51,154	\$ —
Common stock held in treasury upon the vesting of restricted common stock	\$ —	\$ 439,728
Original issue discount on prepaid advance liability	\$ 105,263	\$ 789,474
Common stock issued for the repayment of prepaid advance liability and related interest accrual pursuant to Investor Notices	\$ 4,466,627	\$ 6,440,843
Common stock issued for the repayment of prepaid advance liability and related interest accrual pursuant to Advance Notices	\$ 165,126	\$ —
Prepaid advance for repayment of note payable	\$ —	\$ 3,850,000
Shares issued in satisfaction of note payable	\$ —	\$ 150,000
Deposits applied to purchases of property and equipment	\$ 2,827,464	\$ 60,445
Additions to property and equipment included in accounts payable	\$ 489,211	\$ 294,794
Common stock issued in satisfaction of accrued issuable equity	\$ 206,047	\$ —
Accrual of equity financing issuance costs	\$ 392,980	\$ —
Deferred financing costs charged to additional paid-in capital	\$ 1,211	\$ 982

The accompanying notes are an integral part of these consolidated financial statements.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION, NATURE OF OPERATIONS, AND RISKS AND UNCERTANTIES**

*Organization and Operations*

KULR Technology Group, Inc. was incorporated on December 11, 2015 under the laws of the State of Delaware as KT High-Tech Marketing, Inc. Effective August 30, 2018, KT High-Tech Marketing, Inc. changed its name to KULR Technology Group, Inc.

KULR Technology Group, Inc., through its wholly-owned subsidiary, KULR Technology Corporation (collectively referred to as "KULR" or the "Company"), develops and commercializes high-performance thermal management technologies for electronics, batteries, and other components across a range of applications. Currently, the Company is focused on targeting both high performance aerospace and Department of Defense ("DOD") applications, such as space exploration, satellite communications, and underwater vehicles, and applying them to mass market commercial applications, such as lithium-ion battery energy storage, electric vehicles, 5G communication, cloud computer infrastructure, consumer and industrial devices.

*Risks and Uncertainties*

The Company operates in a dynamic and highly competitive industry and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position, results of operations, or cash flows: ability to obtain future financing; advances and trends in new technologies and industry standards; regulatory approval and market acceptance of the Company's products; development of sales channels; certain strategic relationships; litigation or claims against the Company based on intellectual property, patent, product, regulatory, or other factors; and the Company's ability to attract and retain employees necessary to support its growth.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation and Basis of Presentation*

The consolidated financial statements of the Company include the accounts of KULR Technology Group, Inc. and its wholly-owned subsidiary, KULR Technology Corporation. All significant intercompany transactions have been eliminated in the consolidation. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

*Going Concern and Management's Liquidity Plans*

As of December 31, 2023, the Company had cash of \$ 1,194,764 and working capital deficit of \$ 2,994,753 . During the year ended December 31, 2023, the Company incurred a net loss in the amount of \$ 23,693,556 and used cash in operations of \$ 11,965,387 .

The Company's primary source of liquidity has historically been cash generated from equity and debt offerings along with cash flows from revenue. Under ASC Subtopic 205-40, Presentation of Financial Statements—Going Concern ("ASC 205-40"), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet future financial obligations as they become due within one year after the date that these financial statements are issued. The accompanying consolidated financial statements have been prepared on the basis that we will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business. However, since the Company's inception we have had a history of recurring net losses from operations, recurring use of cash in operating activities and working capital deficits.

Future cash requirements for our current liabilities include \$ 6,232,888 for accounts payable and accrued expenses, \$ 1,609,200 for merchant cash advances (see Note 18 – Subsequent Events – Merchant Cash Advance Agreement), \$ 1,323,963 for capital expenditures and \$ 102,186 for future payments under operating leases. Future cash requirements for long-term liabilities include \$ 250,000 for promissory notes. See Note 14 – Notes Payable for additional information. The non-current Prepaid Advance Liability balance (see Note 11 – Prepaid Advance Liability) of \$ 5,892,056 was paid in full subsequent to December 31, 2023 from proceeds raised from the Company's subsequent equity issuances.

On December 20, 2023, the Company received a notice of noncompliance from NYSE Regulation ("NYSE") stating it is not in compliance with Section 1003(a)(iii) in the NYSE American Company Guide (the "Company Guide") since the Company reported stockholders' equity of \$ 1,200,172 at September 30, 2023, and losses from continuing operations and/or net losses in its five most recent

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

fiscal years. On February 12, 2024, the Company received a second notice letter from NYSE stating it is not in compliance with Section 1003 (f)(v) of the Company guide since the Company's securities were trading at an average of less than \$ 0.20 per share for 30 days.

The factors above raise substantial doubt about the Company's ability to meet its obligations as they become due within the twelve months from the date these condensed consolidated financial statements are issued.

Management's plans to mitigate the factors which raise substantial doubt include (i) revenue growth, (ii) reducing operating expenses through careful cost management, (iii) raising additional funds through future financings, and (iv) negotiating an extension and/or conversion to equity of the Company's prepaid advance liability (see Note 11 – Prepaid Advance Liability).

The Company's ability to continue as a going concern is dependent upon its ability to successfully execute the aforementioned initiatives.

Subsequent to December 31, 2023, the Company issued 40,276,430 shares of common stock, at purchase prices per share ranging from \$ 0.13 to \$ 0.41 , pursuant to Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$ 8,326,457 . Of the gross proceeds, \$ 2,610,650 was retained by the Company to help fund operations. The remaining proceeds were applied against the remaining principal and accrued interest owed in connection with the Prepaid Advance Liability. See Note 11 – Prepaid Advance Liability and Note 15 – Stockholders' (Deficit) Equity for additional information.

During the first quarter of 2024, the Company entered into two agreements whereby the Company received \$ 1,007,100 of cash (net of underwriting fees of \$ 72,900 ) with the obligation to repay a total of \$ 1,609,200 over a total of thirty-two weekly payments. See Note 18 – Subsequent Events – Merchant Cash Advance Agreement for additional details.

On January 9, 2024, the Company announced that it had completed a reduction of its total workforce of approximately 15 % in an effort to allocate its resources to key business priorities to focus on improving the profitability of commercial customer engagements.

On April 2, 2024, the Company received cash proceeds of \$ 440,000 related to a Promissory Note comprised of an initial principal amount of \$ 500,000 and discount of \$ 60,000 . The Promissory Note carries an annual interest rate of 0 % and increases to 15 % in the event of default, and shall be repaid in cash representing all outstanding principal and accrued and unpaid interest due on October 2, 2024, as defined by the terms of the agreement. See Note 18 – Subsequent Events – Promissory Notes for additional information.

On April 9, 2024, the Company received cash proceeds of \$ 200,000 related to a Promissory Note which matures on the first anniversary of its issuance and carries an annual interest rate of 16 %. In the event the promissory note is prepaid within 9 months of its issuance, the holder is entitled to the repayment of principal and cash payment of interest equal to 12 % of the prepayment amount. See Note 18 – Subsequent Events – Promissory Notes for additional information.

As of the date of the issuance of these consolidated financial statements, the Company has no additional commitments to obtain additional funding through future debt or equity financings, or that the Company will be able to obtain additional funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its development initiatives or attain profitable operations. The aforementioned factors indicate that management's plans do not alleviate the substantial doubt about the Company's ability to continue as a going concern for a period of one year from the issuance of these financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability of assets and the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Use of Estimates*

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the financial statements. The Company's significant estimates used in these financial statements include, but are not limited to, fair value calculations for intangible assets, equity securities, stock-based compensation and the valuation allowance related to the Company's deferred tax assets. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consisted primarily of cash and accounts receivable. The Company's concentrations of credit risk also include concentrations from key customers and vendors.

*Cash Concentrations*

A significant portion of the Company's cash is held at one major financial institution. The Company has not experienced any losses in such accounts. Cash held in US bank institutions is currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. There were uninsured balances of \$ 694,763 and \$ 9,833,541 as of December 31, 2023 and 2022, respectively.

*Customer and Revenue Concentrations*

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, as follows:

	Revenue		Accounts Receivable	
	For the Years Ended		As of	As of
	December 31,	December 31,	December 31,	December 31,
	2023	2022	2023	2022
Customer A	51 %	32 %	*	61 %
Customer B	9 %	*	*	*
Customer C	*	*	14 %	*
Customer D	*	13 %	52 %	34 %
Customer E	*	*	20 %	*
Customer F	*	42 %	*	*
Total	60 %	87 %	86 %	95 %

\* Less than 10%

There is no assurance the Company will continue to receive significant revenue from any of these customers. Any reduction or delay in operating activity from any of the Company's significant customers, or a delay or default in payment by any significant customer, or termination of agreements with significant customers, could materially harm the Company's business and prospects. As a result of the Company's significant customer concentrations, its gross profit and results from operations could fluctuate significantly due to changes in political, environmental, or economic conditions, or the loss of, reduction of business from, or less favorable terms with any of the Company's significant customers.



**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Vendor Concentrations**

The Company had vendors whose purchases of inventory individually represented 10% or more of the Company's total purchases of inventory, as follows:

	For the Years Ended December 31,	
	2023	2022
Vendor A	23 %	*
Vendor B	15 %	*
	38 %	0 %

\* Less than 10%

**Accounts Receivable**

Accounts receivable are carried at their contractual amounts, less an estimate for credit losses. As of December 31, 2023 and 2022, no allowances for credit losses were determined to be necessary. Management estimates the allowance for credit losses based on existing economic conditions, the financial conditions of the customers, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for bad debts only after all collection attempts have been exhausted.

**Inventory**

The Company capitalizes inventory costs associated with products when future commercialization is considered probable, and a future economic benefit is expected to be realized. These costs consist of finished goods, raw materials, manufacturing – related costs, transportation and freight, and other indirect overhead costs.

Inventory is comprised of carbon fiber velvet ("CFV") thermal interface solutions and internal short circuit batteries, which are available for sale, as well as raw materials and work in process related primarily to the manufacture of safe cases. Safe cases provide a safe and cost-effective solution to commercially store and transport lithium batteries and mitigate the impacts of cell-to-cell thermal runaway propagation. Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. The cost of inventory that is sold to third parties is included within cost of sales and the cost of inventory that is given as samples is included within operating expenses. The Company periodically reviews for slow-moving, excess or obsolete inventories. Products that are determined to be obsolete, if any, are written down to net realizable value. During the year ended December 31, 2023, certain inventory was written down to its net realizable value by taking a charge to cost of revenue of \$ 293,941 . On occasion, the Company pays for inventory prior to receiving the goods. These payments are recorded as inventory deposits until the goods are received and these costs are included in the current asset section of the consolidated balance sheet. As of December 31, 2023 and 2022, inventory deposits were \$ 27,500 and \$ 285,260 , respectively. Finished goods inventory is held on-site at the San Diego, California and Webster, Texas locations. Certain raw materials are held off-site with certain contract manufacturers.

Inventory at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Raw materials	\$ 322,111	\$ 1,075,310
Work-in-process	—	2,977
Finished goods	826,936	883,748
Total inventory	<u>\$ 1,149,047</u>	<u>\$ 1,962,035</u>

**Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation, which is recorded commencing at the in-service date using the straight-line method at rates sufficient to charge the cost of depreciable assets to operations over their estimated useful lives, which range from 3 to 7 years (see Note 6 – Property and Equipment for additional details). Leasehold improvements are amortized over the shorter of (a) the useful life of the asset; or (b) the remaining lease term. Maintenance and repairs are charged to operations as incurred.

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The Company capitalizes costs attributable to the betterment of property and equipment when such betterment extends the useful life of the assets. Vendor deposits toward the purchase of property and equipment are reflected as equipment deposits on the accompanying balance sheets.

The Company reviews property and equipment assets for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying value. As of December 31, 2023 and December 2022, the Company determined there was no impairment of property and equipment.

#### *Intangibles*

Intangible assets are stated at cost as of the date acquired, less accumulated amortization. Amortization is calculated based on the estimated useful lives of the assets, using the straight-line method or another method that more fairly represents the utilization of the assets, as follows:

	<u>Estimated Useful Life</u>
Patent	17.3 years
Intellectual property	5.0 years
Technology license	10.0 years

The Company periodically evaluates the remaining useful lives of our intangible assets to determine whether events or circumstances warrant a revision to the remaining periods of amortization. In the event that the estimate of an intangible asset's remaining useful life has changed, the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life. If it is determined that an intangible asset has an indefinite useful life, that intangible asset would be subject to impairment testing annually or whenever events or circumstances indicate that its carrying value may not, based on future undiscounted cash flows or market factors, be recoverable. An impairment loss, the recorded amount of which would be based on the fair value of the intangible asset at the measurement date, would be recorded in the period in which the impairment determination was made. As of December 31, 2023 and December 31, 2022, the Company determined there was no impairment of intangible assets.

#### *Fair Value of Financial Instruments*

The Company measures the fair value of financial assets and liabilities based on the guidance of Accounting Standards Codification ("ASC") 820, "Fair Value Measurement" ("ASC 820") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

- Level 1 — quoted prices in active markets for identical assets or liabilities
- Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable
- Level 3 — inputs that are unobservable (for example, cash flow modeling inputs based on assumptions)

The carrying amounts of the Company's financial instruments, such as cash, accounts receivable, accrued expenses and other current liabilities, notes payable and Prepaid Advance Liability approximate fair values due to the short-term nature of these instruments.

#### *Treasury Stock*

The Company records repurchases of its own common stock at cost. Repurchased common stock is presented as a reduction of equity in the consolidated balance sheets. Subsequent reissuances of treasury stock are accounted for on a weighted average cost basis. Gains resulting from differences between the cost of treasury stock and the re-issuance proceeds are credited to additional paid-in capital. Losses resulting from differences between the cost of treasury stock and the re-issuance proceeds are debited to additional paid-in capital.

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*Convertible Instruments*

The Company evaluates embedded conversion features within convertible debt to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If an embedded derivative is bifurcated from share-settled convertible debt, the Company records the debt component at cost less a debt discount equal to the bifurcated derivative's fair value. If the conversion feature is not required to be accounted for separately as an embedded derivative, the convertible debt instrument is accounted for wholly as debt. The Company amortizes the debt discount over the life of the debt instrument as additional non-cash interest expense utilizing the effective interest method. Debt issuance and offering costs are recorded as debt discount, reducing the carrying value of the debt instrument, and are amortized as interest expense over the term of the convertible debt instrument using the effective interest method.

*Accrued Issuable Equity*

The Company records accrued issuable equity when it is contractually obligated to issue shares and there has been a delay in the issuance of such shares. Accrued issuable equity is recorded and carried at fair value with changes in its fair value recognized in the Company's consolidated statements of operations. Once the underlying shares of common stock are issued, the accrued issuable equity is reclassified to equity as of the share issuance date at the then current fair value of the common stock.

*Deferred Financing Costs*

Direct, incremental fees incurred in connection with a debt or equity financing, are capitalized as deferred financing costs (a non-current asset) on the balance sheet. Once the financing closes, the Company reclassifies such costs as either discounts to notes payable or as a reduction of proceeds received from equity transactions so that such costs are recorded as a reduction of additional paid-in capital. If the completion of a contemplated financing was deemed to be no longer probable, the related deferred financing costs would be charged to general and administrative expense in the consolidated financial statements.

*Revenue Recognition*

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when the company satisfies a performance obligation.

The Company recognizes revenue primarily from the following different types of contracts:

- **Product sales** – Revenue is recognized at the point in time the customer obtains control of the goods and the Company satisfies its performance obligation, which is generally at the time it ships the product to the customer.
- **Contract services** – Revenue is recognized pursuant to the terms of each individual contract when the Company satisfies the respective performance obligations, which could be recognized at a point in time or over the term of the contract.

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Contract services revenue that is recognized over time, may be recognized using the input method, based on labor hours expended, or using the output method based on milestones achieved, depending on the contract.

The following table summarizes the Company's revenue recognized in its consolidated statements of operations:

	For the Years Ended December 31,	
	2023	2022
<b>Revenues Recognized at a Point in Time:</b>		
Product sales	\$ 6,903,988	\$ 2,643,325
Contract services	1,167,391	1,351,309
Total	8,071,379	3,994,634
<b>Revenues Recognized Over Time:</b>		
Contract services	1,758,787	—
<b>Total Revenues</b>	<b>\$ 9,830,166</b>	<b>\$ 3,994,634</b>

*Deferred Revenue*

As of December 31, 2023 and 2022, the Company had \$ 551,021 and \$ 23,000 of deferred revenue, respectively, from contracts with customers. The contract liabilities included in deferred revenue represent payments received from customers for which the Company had not yet satisfied its performance obligation under the contract, or the customers have not officially accepted the goods or services provided under the contract. The Company expects to satisfy the remaining performance obligations and recognize the revenue related to its deferred revenue balance within the next twelve months. During the year ended December 31, 2023, \$ 3,000 was recognized for performance obligations satisfied in previous periods. During the year ended December 31, 2022, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

*Deferred Labor Costs*

As of December 31, 2023 and 2022, the Company had \$ 41,625 and \$ 34,402 , respectively, of deferred labor costs, which is included in prepaid expenses and other current assets in the Company's consolidated balance sheets. Deferred labor costs represent costs incurred to fulfill the Company's deferred contract service revenue. The Company will recognize the deferred labor costs as cost of revenue at the point in time that the Company satisfies its performance obligation under the respective contract, which is generally at the time the services are fulfilled and/or accepted by the customer.

*Shipping and Handling Costs*

Shipping and handling fees billed to a customer in a sales transaction related are recorded as revenue. The Company has adopted a policy of accounting for shipping and handling activities as a fulfillment cost rather than a performance obligation. Costs incurred for shipping and handling are included as cost of revenue on the accompanying consolidated statements of operations.

*Research and Development*

Research and development include compensation and other expenses incurred in connection with the research and development of our CFV thermal management solution, high-area-capacity battery electrodes, 3D engineering for a rechargeable battery, including non-cash stock-based compensation expenses. Research and development expenses are recognized as incurred.

*Advertising Costs*

Advertising costs are expensed in the period incurred. Advertising costs charged to operations for the years ended December 31, 2023 and 2022 were \$ 1,801,144 and \$ 874,398 , respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

*Stock-Based Compensation*

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award since the fair value of the award is more readily determinable than the value of the services. The fair value of the award is measured on

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the grant date. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Upon the exercise of an award, the Company generally issues new shares of common stock out of its authorized shares, but may issue treasury stock when available.

*Net Loss Per Common Share*

Basic net loss per common share is computed by dividing net loss by the weighted average number of vested common shares outstanding during the period. Diluted net loss per common share, if applicable, is computed by dividing net loss by the weighted average number of common and dilutive common-equivalent shares outstanding during each period.

The following table presents the computation of basic and diluted net loss per common share:

	For the Years Ended December 31,	
	2023	2022
Numerator:		
Net loss attributable to common stockholders	\$ ( 23,693,556 )	\$ ( 19,436,479 )
Denominator (weighted average quantities):		
Common shares issued	120,756,776	107,683,574
Less: Treasury shares purchased	( 131,162 )	( 125,015 )
Less: Unvested restricted shares	( 3,079,374 )	( 2,005,109 )
Add: Accrued issuable equity	274,500	102,323
Denominator for basic and diluted net loss per share	117,820,740	105,655,773
Basic and diluted net loss per common share	\$ ( 0.20 )	\$ ( 0.18 )

The following shares were excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	December 31,	
	2023	2022
Prepaid advance <sup>(1)</sup>	28,015,465	6,867,791
Unvested restricted stock awards	3,381,008	5,042,500
Restricted stock units	2,250,000	—
Options	722,716	640,216
Warrants	2,524,410	2,524,410
Total	36,893,599	15,074,917

- (1) Shares to be issued if the Company defaults on any of its cash payment obligations. The shares are estimated using the effective floor price at the end of each period (see Note 11 – Prepaid Advance Liability).

*Operating Leases*

The Company leases properties under operating leases. For leases in effect upon adoption of Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)” at January 1, 2020 and for any leases commencing thereafter, the Company recognizes a liability to make lease payments, the “lease liability”, and an asset representing the right to use the underlying asset during the lease term, the “right-of-use asset”. The lease liability is measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate. The right-of-use asset is measured at the amount of the lease liability adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term, any unamortized initial direct costs, and any impairment of the right-of-use-asset. Operating lease expense consists of a single lease cost calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset.

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*Income Taxes*

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

The Company utilizes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's financial statements as of December 31, 2023 and 2022. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as selling, general and administrative expenses in the consolidated statements of operations.

*Reclassifications*

Certain prior period balances have been reclassified in order to conform to the current period presentation. These reclassifications have no effect on previously reported results of operations or loss per share.

*Subsequent Events*

The Company has evaluated subsequent events through the date on which the consolidated financial statements were issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements, except as disclosed in Note 18 – Subsequent Events.

*Recently Issued Accounting Pronouncements*

In November 2023, the Financial Accounting Standards Board (the "FASB") FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." These amendments require a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Public entities with a single reporting segment are required to provide both the new disclosures and all of the existing disclosures required under ASC 280. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Since this new ASU addresses only disclosures, the Company does not expect the adoption of this ASU to have any material effects on its financial condition, results of operations or cash flows. The Company is currently evaluating any new disclosures that may be required upon adoption of ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in ASU 2023 – 09 are effective for the Company on December 15, 2024, with early adoption permitted. Since this new ASU addresses only disclosures, the Company does not expect the adoption to have any material effects on its financial condition, results of operation or cash flows. The Company is currently evaluating any new disclosures that may be required upon adoption of ASU 2023–09.

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity; Own Equity ("ASU 2020-06"), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Among other changes, the new guidance removes from GAAP separation models for convertible debt that require the convertible debt to be separated into a debt and equity component, unless the conversion feature is required to be bifurcated and accounted for as a derivative or the debt is issued at a substantial premium. As a result, after adopting the guidance, entities will no longer separately present such embedded conversion features in equity and will instead account for the convertible debt wholly as debt. The new guidance also requires use of the "if-converted" method when calculating the dilutive impact of convertible debt on earnings per share, which is consistent with the

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Company's current accounting treatment under the current guidance. The guidance is effective for the Company in financial statements issued for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year. Management does not expect the adoption of this pronouncement will have a material effect on the Company's financial statements.

*Recently Adopted Accounting Pronouncements*

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Since June 2016, the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU on January 1, 2023, using the modified retrospective approach and it did not have a material impact on its consolidated financial statements.

**NOTE 3 – ASSET ACQUISITION**

On October 6, 2022 (the "Asset Purchase Date"), KULR Technology Group, Inc. (the "Company") entered into an agreement (the "Asset Purchase Agreement") with a seller (the "Seller"), pursuant to which the Company purchased all of the assets, including intellectual property, of the Seller (the "Acquired Assets") for consideration of \$ 3,500,000 (the "Total Consideration"), of which, \$ 2,000,000 (the "Cash Consideration") will be paid in cash, and the Company will issue shares of common stock with an aggregate fair value of \$ 1,500,000, valued as of the Asset Purchase Date (the "Equity Consideration").

The Asset Purchase Agreement includes customary representations, warranties and covenants of the Company and the Seller. The Purchase Agreement also contains post-closing indemnification provisions pursuant to which the parties have agreed to indemnify each other against losses resulting from certain events, including breaches of representations and warranties, covenants and certain other matters.

The Company paid the Cash Consideration of \$ 1,000,000 on October 6, 2022, \$ 500,000 on April 5, 2023 and \$ 500,000 on October 5, 2023. In addition to total consideration, the seller has been employed by the Company with an annual salary of \$ 216,000. If the Seller terminates his employment with the Company less than four years after the Asset Purchase Date for reasons other than severe health problems or other extenuating circumstances that would render the Seller unable to perform his employment obligations, the Seller is required to pay back to the Company a pro rata portion of the Cash Consideration (the "Clawback"), based upon the length of the Seller's employment as percentage of the four year employment requirement. A partial year is considered a full year for purposes of calculating the Clawback amount.

The Company will issue the Equity Consideration in four equal installments of 279,852 common shares, valued as of the Asset Purchase Date at \$ 1.34 per share, on the following dates: (i) October 5, 2023, (ii) October 5, 2024, (iii) October 5, 2025, and (iv) October 5, 2026, provided that the Seller has not terminated his employment with the Company as of the date of payment.

All of the Equity Consideration is contingent upon the continued employment of the Seller; further, 75 % of the Cash Consideration is subject to Clawback, based on the term of the Seller's employment by the Company. As such, an aggregate of \$ 3,000,000 of the Total Consideration is accounted for as compensation, which will be recognized on a pro rata basis over the employment term requirement. During the years ended December 31, 2023 and 2022, the Company recognized compensation expense of \$ 500,000 and \$ 125,000, respectively, which are included within the research and development expenses in the consolidated statements of operations. The remaining \$ 500,000 of Total Consideration was accounted for as consideration for the Acquired Assets.

Management determined that the remaining \$ 500,000 of consideration attributable to fair value of the Acquired Assets was concentrated into a single identifiable asset, namely, intellectual property. As a result, this transaction was accounted for as an asset acquisition.

The Company incurred legal costs in connection with the execution of the Asset Purchase Agreement, in the aggregate amount of \$ 43,572. The total cost of the intellectual property acquired of \$ 543,572 is included in intangible assets on the accompanying consolidated balance sheet and is being amortized over its estimated useful life of 5 years (see Note 7 – Intangible Assets for additional details).



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On May 4, 2023, the Company entered into an agreement (the "Asset Purchase Agreement") with a seller (the "Seller"), pursuant to which the Company purchased all of the assets, primarily intellectual property, of the Seller (the "Acquired Assets") for consideration of \$ 75,000 (the "Total Consideration"), which was paid in cash on May 11, 2023. In addition, the Seller has been employed by the Company. The total cost of the intellectual property acquired of \$ 75,000 is included in intangible assets on the accompanying consolidated balance sheet and is being amortized over its estimated useful life of 5 years.

The Asset Purchase Agreement includes customary representations, warranties and covenants of the Company and the Seller. The Asset Purchase Agreement also contains post-closing indemnification provisions pursuant to which the parties have agreed to indemnify each other against losses resulting from certain events, including breaches of representations and warranties, covenants and certain other matters.

The Company determined that the transaction should be accounted for as an asset acquisition because substantially all of the fair value of the Acquired Assets is concentrated in a single asset. The total cost of the intellectual property acquired of \$ 75,000 is included in intangible assets on the accompanying consolidated balance sheet and is being amortized over its estimated useful life of 5 years (see Note 7 – Intangible Assets for additional details).

**NOTE 4 – INVENTORY DEPOSITS**

Inventory deposits consist of amounts paid in advance to vendors to secure future deliveries of specific finished goods and raw materials which will be received and sold in future periods.

As of December 31, 2023 and December 31, 2022, the Company had outstanding inventory deposits of \$ 27,500 and \$ 285,260 , respectively.

**NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS**

As of December 31, 2023 and 2022, prepaid expenses and other current assets consisted of the following:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2022</b>
Compensation costs	\$ 375,000	\$ 375,000
Deferred expenses	59,089	34,402
Security deposits	55,308	—
Dues and subscriptions	50,689	75,889
Insurance	32,606	12,776
Professional fees	24,125	25,787
Conferences and seminars	19,338	—
Vendor receivables	1,995	368,069
Marketing and sponsorships	1,512	574,636
Research and development	—	62,329
Other	11,699	84,120
Total prepaid expenses and other current assets	<u>\$ 631,361</u>	<u>\$ 1,613,008</u>

Prepaid marketing and sponsorship costs as of December 31, 2022, primarily consist of two sponsorship agreements with a marketing partner whereby the Company is required to make upfront payments which were amortized over the respective service periods of the agreements. As of December 31, 2023, the sponsorship costs were fully amortized.

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**NOTE 6 – PROPERTY AND EQUIPMENT**

As of December 31, 2023 and 2022, property and equipment consisted of the following:

	December 31,		Estimated Useful Life
	2023	2022	
Construction in progress	\$ 408,076	\$ 1,428,217	
Machinery & equipment	3,864,009	1,374,293	5 – 7 years
Leasehold improvements			Lesser of the useful life of the asset or remaining life of the lease
	2,043,672	345,709	
Computer equipment	212,616	152,699	3 years
Software	314,932	127,193	3 years
Research and development equipment	167,517	100,939	3 years
Research and development laboratory	101,053	—	10 years
Furniture and fixtures	6,968	6,968	5 years
	7,118,843	3,536,018	
Less: accumulated depreciation	( 2,420,699 )	( 342,977 )	
Property and equipment, net	<u>\$ 4,698,144</u>	<u>\$ 3,193,041</u>	

Depreciation expense amounted to \$ 2,077,722 and \$ 219,643 for the years ended December 31, 2023 and 2022, respectively, which is included in cost of revenue, selling, general and administrative and research and development expenses in the consolidated statements of operations.

**NOTE 7 – INTANGIBLE ASSETS**

The Company's intangible assets consist of the following:

	December 31,	
	2023	2022
Patent	\$ 218,000	\$ 218,000
Intellectual property	618,572	543,572
Technology license	60,000	—
	896,572	761,572
Less: accumulated amortization	( 177,177 )	( 40,804 )
Intangible assets, net	<u>\$ 719,395</u>	<u>\$ 720,768</u>

On October 5, 2022, the Company acquired intellectual property with an aggregate cost of \$ 543,572 (see Note 3 – Asset Acquisition). This long-lived intangible asset has a useful life of 5 years and is being amortized on a straight-line basis and tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

In February 2023, the Company entered into an agreement and paid \$ 60,000 for exclusive use of a technology license. This long-lived asset has a useful life of ten years and is being amortized on a straight-line basis and tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

On May 4, 2023, the Company acquired intellectual property with an aggregate cost of \$ 75,000 (see Note 3 – Asset Purchase). This long-lived intangible asset has a useful life of 5 years and is being amortized on a straight-line basis and tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

During the years ended December 31, 2023 and 2022, the Company recognized amortization expense related to intangible assets of \$ 136,373 and \$ 39,756 , respectively.

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The weighted average remaining amortization period of the Company's intangible assets is 7.3 years. Future amortization of intangible assets is as follows:

For the Years Ending December 31,	
2024	\$ 142,293
2025	142,293
2026	142,293
2027	115,113
2028	23,579
Thereafter	153,824
	<u>\$ 719,395</u>

**NOTE 8 – EQUIPMENT DEPOSITS**

The Company entered into agreements with third party contractors for the design and construction of a battery packaging and inspection automation system, and automated robotic tending system. As of December 31, 2023 and 2022, the Company had outstanding deposits of \$ 1,332,436 and \$ 3,514,937 , respectively, in connection with these agreements.

**NOTE 9 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

As of December 31, 2023 and 2022, accrued expenses and other current liabilities consisted of the following:

	December 31, 2023	December 31, 2022
Professional fees	\$ 1,875,000	\$ 1,180,000
Payroll and vacation	504,748	464,453
Research and development	441,192	196,409
Refund due to customer	171,960	—
Inventory	145,949	58,804
Legal fees	117,640	2,000
Tools and supplies	28,663	—
Board compensation	23,750	122,500
Royalties	17,505	3,861
Marketing and advertising fees	—	3,999
Subscriptions	—	65,000
Other	136,937	45,251
Total accrued expenses and other current liabilities	<u>3,463,344</u>	<u>2,142,277</u>
Add: Accrued interest, non-current	5,899	157,054
Total	<u>\$ 3,469,243</u>	<u>\$ 2,299,331</u>

**NOTE 10 – ACCRUED ISSUABLE EQUITY**

A summary of the accrued issuable equity activity during the years ended December 31, 2023 and 2022, is presented below:

	For the Years Ended As of December 31,	
	2023	2022
Fair value at January 1	\$ 227,956	\$ 290,721
Additions	158,133	176,270
Cancellation of accrued issuable equity	—	( 92,000 )
Mark-to-market	( 167,040 )	( 147,035 )
Shares issued in satisfaction of accrued issuable equity	<u>( 206,047 )</u>	<u>—</u>
Fair value at December 31	<u>\$ 13,002</u>	<u>\$ 227,956</u>

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During the years ended December 31, 2023 and 2022, the Company entered into certain contractual arrangements for consulting services in exchange for a fixed number of shares of common stock of the Company. On the respective dates the contracts were entered into, the estimated fair value of the shares to be issued was an aggregate of \$ 158,133 and \$ 176,270 , respectively, based on the quoted market prices of the shares.

During the year ended December 31, 2022, the Company cancelled certain of its accrued issuable equity obligations of an aggregate of 33,333 of its shares with an aggregate fair value of \$ 92,000 , due to a reduction in investor relation services.

During the year ended December 31, 2023, the Company settled certain of its accrued issuable equity obligations through the issuance of an aggregate of 409,723 of its shares with an aggregate fair value of \$ 206,047 , remeasured as of the date of settlement based on the quoted market prices of the shares.

During the years ended December 31, 2023 and 2022, the Company recorded gains (losses) in the aggregate amount of \$ 167,040 and \$ 147,035 , respectively, related to the changes in fair value of accrued issuable equity (see Note 16 – Stockholders' (Deficit) Equity, Stock-Based Compensation for additional details). The fair value of the accrued but unissued shares as of December 31, 2023 was \$ 13,002 , based on Level 1 inputs, which consist of quoted prices for the Company's common stock in active markets.

**NOTE 11 – PREPAID ADVANCE LIABILITY**

The Company's prepaid advance liability consists of the following:

	Gross Amount of Prepaid Advance Liability	Less: Debt Discount	Prepaid Advance Liability, net of discount
Balance, January 1, 2022	\$ —	\$ —	\$ —
Proceeds from prepaid advance	15,000,000		15,000,000
Original issue discount on prepaid advance	789,474	( 789,474 )	—
Legal fees	—	( 85,000 )	( 85,000 )
Repayments in cash	—	—	—
Repayments pursuant to Investor Notices	( 6,315,843 )	—	( 6,315,843 )
Amortization of debt discount	—	253,133	253,133
Balance, December 31, 2022	9,473,631	( 621,341 )	8,852,290 <sup>(1)</sup>
Proceeds from prepaid advance	2,000,000	—	2,000,000
Original issue discount on prepaid advance	105,263	( 105,263 )	—
Legal fees	—	( 30,000 )	( 30,000 )
Repayments in cash	( 1,575,000 )	—	( 1,575,000 )
Repayments pursuant to Advance Notices	( 52,806 )	—	( 52,806 )
Repayments pursuant to Investor Notices	( 4,032,658 )	—	( 4,032,658 )
Amortization of debt discount	—	730,230	730,230
Balance, December 31, 2023	\$ 5,918,430	\$ ( 26,374 )	\$ 5,892,056 <sup>(2)</sup>

<sup>(1)</sup> The current portion of this liability was \$ 5,655,612 as of December 31, 2022.

<sup>(2)</sup> The current portion of this liability was \$ 0 as of December 31, 2023.

On September 23, 2022, the Company entered into a Supplemental Agreement (the "Supplemental Agreement") to its Standby Equity Purchase Agreement (the "SEPA") with YA II PN, Ltd. ("Yorkville"). Under the Supplemental Agreement, the Company may from time-to-time request advances of up to \$ 15,000,000 (each, a "Prepaid Advance") from Yorkville with a limitation on the aggregate amount of such advances of \$ 50,000,000 . At any time that there is a balance outstanding under a Prepaid Advance, the Company is not permitted to deliver Advance Notices (as defined in Note 16, Stockholders' (Deficit) Equity) under the SEPA, without prior consent from Yorkville.

Pursuant to the terms of the Supplemental Agreement, Yorkville has the right to receive shares to pay down Prepaid Advances, and may select the timing and delivery of such shares (via an "Investor Notice"), in an amount up to the balance of the Prepaid Advance at a price equal to the lower of (a) 135 % of the volume weighted average price ("VWAP") of the Company's common stock on the day

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immediately prior the closing of the Prepaid Advance, or (b) 95 % of the lowest VWAP during the three days immediately prior to the Investor Notice.

Each Prepaid Advance accrues interest at 10 % per annum, subject to an increase to 15 % per annum upon events of default as defined and matures 12 months after the date of the closing of such advance. Any advance balance that remains outstanding at maturity must be repaid in cash.

On September 23, 2022, the Company recorded an initial Prepaid Advance liability in the amount of \$ 15,789,474 , which consisted of \$ 15,000,000 of gross cash proceeds (the "Initial Advance"), plus an original issue discount of \$ 789,474 . Of the \$ 15,000,000 Initial Advance amount, \$ 3,850,000 was used to repay amounts due under a Note Purchase Agreement with Yorkville. The Company incurred \$ 85,000 of legal and professional fees in connection with its entry into the Supplemental Agreement. The original issue discount and legal and professional fees incurred were recorded as a debt discount, which is being amortized ratably over the term of the Initial Advance.

On March 10, 2023, the Company and Yorkville agreed and closed on a second Prepaid Advance (the "Second Advance"). The Company recorded additional prepaid advance liability in the amount of \$ 2,105,263 , which consisted of \$ 2,000,000 cash proceeds received, plus an original issue discount of \$ 105,263 . Interest accrues on the outstanding balance of each Prepaid Advance at an annual rate of 10 %, subject to an increase to 15 % upon events of default, as defined.

On September 18, 2023, the Company repaid an aggregate amount of \$ 1,839,731 , consisting of a principal amount of \$ 1,500,000 , accrued interest in the amount of \$ 264,731 and a payment premium in the amount of \$ 75,000 .

During the year ended December 31, 2023, the Company issued 4,078,971 shares of common stock, at purchase prices per share ranging from \$ 0.57 to \$ 1.20 , pursuant to Investor Notices submitted by Yorkville for aggregate proceeds of \$ 4,466,627 . The proceeds were applied against the principal and interest due for the Prepaid Advance Liability in the aggregate amounts of \$ 4,032,657 and \$ 433,970 , respectively.

During the year ended December 31, 2023, the Company recorded interest expense in the amount of \$ 728,318 and recorded amortization of debt discount in the amount of \$ 730,230 in connection with the Prepaid Advance liability.

On August 16, 2023, as amended on August 23, 2023, August 30, 2023, November 6, 2023 and December 19, 2023, the Company and Yorkville entered into letter agreements (the "Letter Agreement"), intended to supplement and modify the Supplemental Agreement to extend the repayment date of the Prepaid Advance Liability balance as follows: (i) an initial payment of \$ 1,000,000 plus accrued interest as well as a 5 % cash payment premium on or before December 31, 2023 or the date of the closing of any financing conducted by the Company (the "December Payment"); (ii) \$ 2,000,000 on or before February 29, 2024 plus accrued interest as well as a 5 % cash payment premium (the "February Payment"); (iii) the remaining principal amount of the Prepaid Advance Liability of \$ 2,597,194 plus accrued interest as well as a 5 % cash payment premium on or before April 30, 2024 (the "April Payment").

On January 9, 2024, the Company entered into a letter agreement with Yorkville to defer the Company's December 31, 2023 (the "December Payment") payment of \$ 2,000,000 plus accrued interest and a 5 % cash payment premium until February 29, 2024. On February 13, 2024, the Company and Yorkville entered into another agreement to extend all payment due dates and defer all payment obligations to December 31, 2024. See Note 18 – Subsequent Events – Prepaid Advance Liability for additional details.

As of March 27, 2024, all remaining principal and accrued interest balances related to the Prepaid Advance Liability were repaid in full through the issuance of common stock (see Note 18 – Subsequent Events – Prepaid Advance Liability). Consequently, the outstanding balance as of December 31, 2023 is classified as non-current.

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**NOTE 12 – LEASES**

On January 18, 2023, the Company entered into a new lease agreement for office space in Webster, Texas. The initial lease term is twelve months and thirteen days. Monthly rental payments under the new lease are \$ 5,047 , which is comprised of \$ 4,245 of base rent plus \$ 802 of common area maintenance fees. The Company determined that the value of the lease liability and the related right-of-use asset at inception was \$ 51,154 , using an estimated incremental borrowing rate of 5 % (see Note 18 – Subsequent Events – Leases for information related to the new lease entered into subsequent to December 31, 2023).

On April 5, 2021, the Company entered into a new lease agreement for office space in San Diego, California, effective June 1, 2021. The initial lease term is three years and there is an option to renew for an additional five years . Management does not expect to exercise its option to renew. Monthly rental payments under the new lease begin at \$ 23,787 , which is comprised of \$ 18,518 of base rent plus \$ 5,268 of common area maintenance fees, with annual escalation of 3.5 % (see Note 18 – Subsequent Events – Leases for information related to the lease extension entered into subsequent to December 31, 2023).

The Company determined that the value of the lease liability and the related right-of-use asset at inception was \$ 814,817 , using an estimated incremental borrowing rate of 5 % based on information available at the commencement date of the lease.

During the years ended December 31, 2023 and 2022, operating lease expense was \$ 265,457 and \$ 231,116 respectively. As of December 31, 2023, the Company did not have any financing leases.

Lease liabilities mature during the year ended December 31, 2024, as follows:

	Amount
Total future minimum lease payments	\$ 103,432
Less: amount representing imputed interest	( 1,246 )
Present value of lease liabilities	\$ 102,186

The Company paid a security deposit of \$ 50,213 in connection with the San Diego lease agreement which is recorded within the prepaid expenses and other current assets section of the balance sheet as of December 31, 2023.

Supplemental cash flow information related to the lease was as follows:

	For the Years Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating activities	\$ 270,570	\$ 205,034
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 51,154	\$ —
Weighted Average Remaining Lease Term (Years)		
Operating leases	0.4 years	1.4 years
Weighted Average Discount Rate		
Operating leases	5.0 %	—

**NOTE 13 – RELATED PARTY TRANSACTIONS**

Effective August 26, 2022, the Company entered into an eight-month consulting agreement with the father of the Company's Chief Technology Officer (the "Related Consultant"), which shall automatically renew for an additional four months unless otherwise terminated. During the years ended December 31, 2023 and 2022, expense recognized for services provided by the Related Consultant were \$ 32,055 and \$ 16,290 , respectively, and is included within selling, general and administrative expenses in the consolidated statements of operations. On July 24, 2023, the Related Consultant accepted an employment offer by the Company, which became effective on August 7, 2023.

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As of December 31, 2023 and December 31, 2022, the Company did not have material accounts payable outstanding with related parties.

**NOTE 14 – NOTES PAYABLE**

On November 29, 2023, the Company entered into an agreement (the “Promissory Note 1”) with an individual investor (the “Investor 1”), pursuant to which the Investor purchased a five-year Promissory Note with a principal amount of \$ 150,000 . The Promissory Note carries an interest rate of 15 % per annum, with the first interest payment due on the one-year anniversary of the Promissory Note, and then every six months thereafter. The Company is required to repay the principal amount by the maturity date of November 29, 2028. There were no legal fees or issue discount associated with this Promissory Note.

On December 6, 2023, the Company entered into an agreement (the “Promissory Note 2”) with an individual investor (the “Investor 2”), pursuant to which the Investor purchased a five-year Promissory Note with a principal amount of \$ 100,000 . The Promissory Note carries an interest rate of 15 % per annum, with the first interest payment due on the one-year anniversary of the Promissory Note, and then every six months thereafter. The Company is required to repay the principal amount by the maturity date of December 6, 2028. There were no legal fees or issue discount associated with this Promissory Note.

See Note 18 – Subsequent Events – Promissory Notes for information related to notes payable issued subsequent to December 31, 2023.

**NOTE 15 – INCOME TAXES**

The income tax provision (benefit) for the years ended December 31, 2023 and 2022 consists of the following:

	For The Years Ended	
	December 31,	
	2023	2022
Federal		
Current	\$ —	\$ —
Deferred	( 4,772,247 )	( 3,967,600 )
State and Local		
Current	—	—
Deferred	( 405,473 )	( 1,133,600 )
	( 5,177,720 )	( 5,101,200 )
Change in valuation allowance	5,177,720	5,101,200
Income tax provision	\$ —	\$ —

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	For The Years Ended	
	December 31,	
	2023	2022
Tax benefit at federal statutory rate	( 21.0 )%	( 21.0 )%
State income taxes, net of federal benefit	( 3.5 )%	( 6.0 )%
Permanent differences	0.9 %	( 0.1 )%
Other and prior year true-ups	2.3 %	0.9 %
Rate and apportionment changes	( 0.6 )%	0.0 %
Change in valuation allowance	21.9 %	26.2 %
Effective income tax rate	( 0.0 )%	0.0 %

The Company has determined that a valuation allowance for the entire net deferred tax asset is required. A valuation allowance is required if, based on the weight of evidence, it is more likely than not that some or the entire portion of the deferred tax asset will not be realized. After consideration of all the evidence, management has determined that a full valuation allowance is necessary to reduce the deferred tax asset to zero.



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The tax effects of temporary differences that give rise to deferred tax assets and liabilities are presented below:

	For The Years Ended	
	December 31,	
	2023	2022
Deferred Tax Assets (Liabilities):		
Net operating loss carryforwards	\$ 12,665,029	\$ 9,078,972
Research and development credit carryforwards	101,422	101,422
Capitalized research and development costs	1,949,748	953,675
Stock-based compensation	1,687,091	1,587,800
Property and equipment	87,018	( 382,819 )
Intangible assets	24,945	4,320
Debt discount	( 1,436 )	( 16,384 )
Accruals and other	50,149	59,260
Gross deferred tax assets	16,563,966	11,386,246
Valuation allowance	( 16,563,966 )	( 11,386,246 )
Deferred tax asset, net of valuation allowance	\$ —	\$ —
Changes in valuation allowance	\$ 5,177,720	\$ 5,101,200

At December 31, 2023 and 2022, the Company had federal net operating loss carry forwards of approximately \$ 49.0 million and \$ 32.3 million, respectively. At December 31, 2023, approximately \$ 3.3 million of federal net operating losses will expire from 2033 to 2037, and approximately \$ 45.7 million will have no expiration. At December 31, 2023 and 2022, the Company had state net operating loss carry forwards of approximately \$ 33.3 million and \$ 33.6 million, respectively, which will begin to expire in 2024.

The net operating loss carryovers may be subject to annual limitations under Internal Revenue Code Section 382, and similar state provisions, should there be a greater than 50% ownership change as determined under the applicable income tax regulations. The amount of the limitation would be determined based on the value of the company immediately prior to the ownership change and subsequent ownership changes could further impact the amount of the annual limitation. An ownership change pursuant to Section 382 may have occurred in the past or could happen in the future, such that the NOLs available for utilization could be significantly limited.

No tax audits were commenced or were in process during the years ended December 31, 2023 and 2022. No tax related interest or penalties were incurred during the years ended December 31, 2023 and 2022. The Company's federal and state income tax returns beginning with the year ended December 31, 2020 remain subject to examination.

**NOTE 16 – STOCKHOLDERS' (DEFICIT) EQUITY**

*Authorized Capital*

The Company is authorized to issue 500,000,000 shares of common stock, par value of \$ 0.0001 per share, and 20,000,000 shares of preferred stock, par value of \$ 0.0001 per share. The holders of the Company's common stock are entitled to one vote per share. The preferred stock is designated as follows: 1,000,000 shares designated as Series A Preferred Stock, 31,000 shares designated as Series B Convertible Preferred Stock, 400 shares designated as Series C Preferred Stock, and 650 shares designated as Series D Convertible Preferred Stock.

*Equity Incentive Plan*

On August 15 and November 5, 2018, the Board of Directors and a majority of the Company's stockholders, respectively, approved the 2018 Equity Incentive Plan (the "2018 Plan"). Under the 2018 Plan, 15,000,000 shares of common stock of the Company are authorized for issuance. The 2018 Plan provides for the issuance of incentive stock options, non-statutory stock options, rights to purchase common stock, stock appreciation rights, restricted stock and restricted stock units to employees, directors and consultants of the Company and its affiliates. The 2018 Plan requires the exercise price of stock options to be not less than the fair value of the Company's common stock on the date of grant. As of December 31, 2023, there were 7,601,405 shares available for issuance under the 2018 Plan.

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*Standby Equity Purchase Agreement ("SEPA") and Supplemental SEPA*

On May 13, 2022, the Company entered into the SEPA with Yorkville. Pursuant to the SEPA, the Company has the right, but not the obligation, to sell to Yorkville up to an aggregate of \$ 50,000,000 of its shares of common stock, par value \$ 0.0001 per share, at the Company's request any time during the commitment period commencing on May 13, 2022 and terminating on the first day of the month following the 24-month anniversary of the SEPA.

Each sale (an "Advance") that the Company requests under the SEPA (via an "Advance Notice") may be for a number of shares of common stock with an aggregate value of up to \$ 5,000,000 . Shares are sold under the SEPA at 98.0 % of the average of the VWAPs during each of the three consecutive trading days commencing on the trading day following the Company's submission of an Advance Notice to Yorkville. Advances are subject to certain limitations, including that Yorkville will not purchase any shares that would result in it owning more than 4.99 % of the Company's outstanding common stock at the time of an Advance, or more than the amount of shares registered under the registration statement in effect at the time of the Advance. Further, the aggregate amount of shares purchased under the SEPA (as defined) could not initially exceed 19.9 % of the Company's outstanding common stock as of the date of the SEPA. See Note 18 – Subsequent Events – Prepaid Advance Liability for additional information regarding the lifting of the 19.9 % restriction.

During the year ended December 31, 2023, the Company issued 905,833 shares of common stock pursuant to Advance Notices to repay \$ 166,337 of the Prepaid Advance Liability, of which \$ 113,531 was applied to accrued interest, and \$ 52,806 was applied to principal.

See Note 11 – Prepaid Advance Liability, for details related to a supplemental agreement to the SEPA and Note 18 – Subsequent Events – Prepaid Advance Liability for information related to subsequent common stock issuances pursuant to Advance Notices.

*Series A Preferred Stock*

Each record holder of Series A Preferred Stock shall have the right to vote on any matter with holders of the Company's common stock and other securities entitled to vote, if any, voting together as one class. Each record holder of Series A Preferred Stock is entitled to one-hundred votes per share of Series A Preferred Stock held by such holder.

The Series A Preferred Stock is not convertible into any series or class of stock of the Company. In addition, holders of the Series A Preferred Stock shall not be entitled to receive dividends, nor do they have a right to distribution from the assets of the Company in the event of any liquidation, dissolution, or winding up of the Company.

On November 5, 2018, the Company received a written consent of the majority of the stockholders to issue 1,000,000 shares of the Company's Series A Preferred Stock to the Chief Executive Officer of the Company, if necessary, as a measure to protect the Company from an uninvited takeover. As of the date of filing, the shares of Series A Preferred Stock have not been issued. Please see Note 18 – Subsequent Events – Unregistered Sales of Equity Securities for additional information on the issuance of Series A Preferred Stock.

*Series B Convertible Preferred Stock*

Holders of shares of Series B Convertible Preferred Stock are not entitled to voting rights or dividend rights. The Series B Convertible Preferred Stock does not contain any redemption provisions or other provisions requiring cash settlement within control of the holder. Series B Convertible Preferred Stock is senior in liquidation preference to common stock. Each share of Series B Convertible Preferred Stock, after 181 days after issuance and without the payment of additional consideration, is convertible at the option of the holder into fifty ( 50 ) fully paid and non-assessable shares of common stock.

There are no Series B Convertible shares outstanding or available to issue at December 31, 2023.

*Series C Convertible Preferred Stock*

Series C Convertible Preferred Stock is senior in liquidation preference to the Company's common stock for an amount equal to the stated value per share of \$ 10,000 ("Stated Value"). Holders of shares of Series C Convertible Preferred Stock shall vote on an as-if-converted-to-common-stock basis with the common stockholders. Holders of shares of Series C Convertible Preferred Stock are entitled to receive dividends when, as and if declared by the Board of Directors, at an annual rate of twelve percent ( 12 )% beginning one year after each share's issuance. The Company may elect to redeem all or part of each share of Series C Convertible Preferred Stock for the Stated Value.

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There are no Series C Convertible shares outstanding or available to issue at December 31, 2023.

*Series D Convertible Preferred Stock*

Holders of the Series D Preferred shall vote on an as-if-converted basis and are entitled to receive cumulative dividends annually at an annual rate equal to ten percent ( 10 %).

There are no Series D Convertible shares outstanding or available at December 31, 2023.

*Common Stock*

During the year ended December 31, 2022, the Company issued an aggregate of 51,000 shares of immediately vested common stock with a grant date value of \$ 109,850 for legal and consulting services.

During the year ended December 31, 2022, the Company issued an aggregate of 2,416,668 shares of common stock upon the exercise of warrants pursuant to which the Company received an aggregate of \$ 3,020,836 of gross proceeds.

During the year ended December 31, 2023, the Company issued an aggregate of 551,323 shares of common stock valued at \$ 268,820 for legal and consulting services, of which 189,963 shares valued at issuance at \$ 227,956 were accrued at January 1, 2023 for services rendered in prior years.

During the year ended December 31, 2023, the Company issued an aggregate of 13,389,285 shares of common stock in public equity offerings for gross proceeds of \$ 3,910,000 less issuance costs of \$ 846,030 .

*Treasury Stock*

As of December 31, 2023 and 2022, the Company has 131,162 shares held in treasury recorded at their cost of \$ 296,222 .

*Warrants*

A summary of warrants activity during the year ended December 31, 2023 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2023	2,524,410	\$ 1.02		
Issued	—	—		
Exercised	—	—		
Expired	—	—		
Forfeited	—	—		
Outstanding, December 31, 2023	2,524,410	\$ 1.02	2.0	\$ —
Exercisable, December 31, 2023	2,524,410	\$ 1.02	2.0	\$ —

A summary of outstanding and exercisable warrants as of December 31, 2023 is presented below:

Warrants Outstanding		Warrants Exercisable	
Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
\$ 1.25	177,885	2.0	177,885
\$ 1.00	2,346,525	2.0	2,346,525
	2,524,410	2.0	2,524,410

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The following table presents information related to stock-based compensation for the years ended December 31, 2023 and 2022:

	For The Years Ended December 31,	
	2023	2022
Common stock for services (includes accrued, unissued shares)	\$ 220,903	\$ 194,120
Amortization of stock options	157,659	103,220
Amortization of restricted stock awards and units	3,124,174	1,945,272
Amortization of market-based awards	—	1,932,402
Total	<u>\$ 3,502,736</u>	<u>\$ 4,175,014</u>

See Note 18 – Subsequent Events – Warrants for information related to warrants issued subsequent to December 31, 2023.

*Stock Options*

A summary of options activity (excluding market-based option awards) during the year ended December 31, 2023 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2023	640,216	\$ 1.72		
Granted	325,000	0.87		
Forfeited	( 242,500 )	1.97		
Outstanding, December 31, 2023	<u>722,716</u>	<u>\$ 1.26</u>	<u>2.6</u>	<u>\$ —</u>
Exercisable, December 31, 2023	<u>389,522</u>	<u>\$ 0.74</u>	<u>1.2</u>	<u>\$ —</u>

The following table presents information related to stock options (excluding market-based option awards) as of December 31, 2023:

Options Outstanding		Options Exercisable	
Range of Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$ 0.62 - \$ 0.99	325,486	0.5	253,542
\$ 1.21 - \$ 1.50	155,000	4.0	46,250
\$ 1.55 - \$ 1.99	82,500	3.3	27,500
\$ 2.05 - \$ 2.44	159,730	2.9	62,230
	<u>722,716</u>	<u>1.2</u>	<u>389,522</u>

For the years ended December 31, 2023 and 2022, the weighted average grant date fair value per share of options was \$ 0.52 and \$ 1.23, respectively.

The Company has computed the fair value of stock options granted using the Black-Scholes option pricing model. In applying the Black-Scholes option pricing model, the Company used the following range of assumptions:

	For The Year Ended December 31,	
	2023	2022
Risk free interest rate	3.92 % - 5.40 %	1.18 % - 4.54 %
Expected term (years)	0.5 - 3.5	3.5 - 3.9
Expected volatility	105 % - 109 %	104 % - 116 %
Expected dividends	0 %	0 %

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Option forfeitures are accounted for at the time of occurrence. The expected term used is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of employee option grants. The Company utilizes an expected volatility figure based on the historical volatility of its common stock over a period of time equivalent to the expected term of the instrument being valued. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

As of December 31, 2023, there was \$ 300,321 of unrecognized stock-based compensation expense related to the above stock options, which will be recognized over the weighted average remaining vesting period of 2.5 years.

*Restricted Stock Awards*

The following table presents information related to restricted stock awards as of December 31, 2023:

	Shares of Restricted Common Stock	Weighted Average Grant Date Fair Value
Non-vested RSAs, January 1, 2023	2,042,500	\$ 2.50
Granted	2,218,508	0.96
Vested	( 740,000 )	2.41
Forfeited	( 140,000 )	2.06
Non-vested RSAs, December 31, 2023	<u>3,381,008</u>	<u>\$ 1.53</u>

On March 31, 2021, the Company granted 2,000,000 restricted shares of common stock to the Company's President and Chief Operating Officer with a grant date fair value of \$ 5,220,000 . The restricted shares vest in four (4) equal annual installments, the first installment of which vested on March 1, 2023. On March 31, 2023, and effective as of March 1, 2023, the Company withheld and cancelled 175,000 shares of its common stock to satisfy an aggregate of \$ 229,249 of payroll tax withholdings and remittance obligations in connection with vesting of 500,000 shares of restricted stock, resulting in a net settlement of 325,000 shares. The withholding and cancellation of the 175,000 shares represented a retirement of shares at a price per share equal to \$ 1.31 , the closing price per share of our common stock on the trading day prior to the March 1, 2023, the effective date of the share cancellation.

During the year ended December 31, 2022, the Company issued as incentive shares to its employees, an aggregate of 250,000 shares of restricted common stock, of which, 75,000 shares were cancelled.

On March 31, 2023, the Company granted 1,500,000 restricted shares of common stock with a grant date fair value of \$ 1,380,000 to the Company's Chief Financial Officer. The restricted shares vest in five (5) equal annual installments.

During the year ended December 31, 2023, the Company granted RSAs of 668,508 restricted shares of common stock with an aggregate grant date fair value of \$ 685,400 to employees which vest in four (4) equal annual installments.

During the year ended December 31, 2023, the Company issued 50,000 shares of restricted common stock for marketing services subject to a 180 -day lock-up period.

As of December 31, 2023, there was \$ 3,642,659 of unrecognized stock-based compensation expense related to restricted stock that will be recognized over the weighted average remaining vesting period of 2.75 years.

*Restricted Stock Units*

The following table presents information related to restricted stock units ("RSUs") as of December 31, 2023:

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested RSUs, January 1, 2023	3,000,000	\$ 2.05
Granted	—	—
Vested	( 750,000 )	—
Forfeited	—	—
Non-vested RSUs, December 31, 2023	<u>2,250,000</u>	<u>\$ 2.05</u>

On March 1, 2021, in connection with the appointment of the Company's Chief Operating Officer (the "COO"), the COO became eligible to receive of up to 1,500,000 shares of the Company's common stock which would be earned based upon achieving certain market capitalization milestones up to \$ 4 billion (the "Market-based RSU Award"). The grant date fair value of this award of \$ 2,911,420 was determined using a Monte Carlo valuation model for market-based vesting awards, and was amortizable over each of the tranches' prospective derived service period.

On June 10, 2021, the Chief Executive Officer (the "CEO") received an option for the purchase of up to 1,500,000 shares of the Company's common stock at an exercise price of \$ 2.60 per share (the "Market-based Option Award", and together with the Market-based RSU Award, the "Market-based Awards"), which would be earned based upon achieving certain market capitalization milestones up to \$ 4 billion. The grant date fair value of this award of \$ 2,579,000 was determined using a Monte Carlo valuation model for market-based vesting awards, and was amortizable over each of the tranches' prospective derived service period.

On November 1, 2022 (the "Modification Date"), the Board approved the termination of the Market-Based Awards and approved the grant of 1,500,000 restricted stock units (the "RSUs") with a grant date fair value of \$ 3,075,000 , to each of the COO and CEO (the "Grantees"). The grant date value was determined using the stock price per share immediately preceding the Board approval of the grant. The RSUs will vest in four equal installments over the course of four years , the first of which vested on November 1, 2023.

The exchange of RSUs for the Market-based Awards was accounted for as a modification of stock awards; as such, the amortizable value of the RSUs was determined to be \$ 4,226,175 , which represents the unrecognized grant-date fair value of the Market-based awards of \$ 1,446,175 , plus \$ 2,780,000 representing the incremental fair value of the RSUs over the fair value of the Market Based Awards at the modification date.

The following assumptions were used in applying the Monte Carlo valuation model to the Company's market-based awards on each of the measurement dates described above.

	November 1, 2022	March 1, 2021	June 10, 2021
Risk free interest rate	4.33 %	0.71 %	0.73 %
Expected volatility	100.0 %	98.9 %	98.5 %
Expected dividend yield	0 %	0 %	0 %
Expected term	3.3 years	2.1 years	2.2 years

As of December 31, 2023, there was \$ 2,970,061 of unrecognized stock-based compensation expense related to restricted stock units that will be recognized over the weighted average remaining vesting period of 3.09 years.

*Stock-Based Compensation*

During the years ended December 31, 2023 and 2022, the Company recognized stock-based compensation expense of \$ 3,502,736 and \$ 4,175,014 , respectively, related to restricted stock awards, restricted stock units, warrants and stock options, of which \$ 3,227,782 and \$ 4,136,494 , respectively, are included within selling, general and administrative expenses, and \$ 274,954 and \$ 38,520 , respectively are included within research and development expenses in the consolidated statements of operations.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

*Patent License Agreement*

During April 2023, the Company entered into a licensing agreement whereby the Company obtained an exclusive license to commercialize its patented Format Fractional Thermal Runaway Calorimeter. The agreement is effective as long as the licensed patents are enforceable, subject to certain early termination provisions specified in the agreement. In consideration, the Company agreed to pay the following: (i) a cash payment of \$ 60,000 payable upon the execution of the agreement (which was capitalized as an intangible asset and is being amortized over its useful life), and (ii) royalties of 5.5 % on the net sales price of royalty-based products and services for each accounting period, as defined in the agreement, with minimum annual royalty payments of \$ 20,000 beginning in the 2024 calendar year.

*Appointment of Vice President, Sales*

On January 16, 2023, the Company appointed a Vice President of Sales (the “VP of Sales”), and issued the VP of Sales 298,507 shares of restricted common stock. The restricted common stock had a grant date fair value of \$ 400,000 , and vests in four equal annual installments beginning January 16, 2024 based solely on continued service. The grant date fair value is being amortized ratably over the vesting period. In addition, the Company committed to a severance package of \$ 250,000 and one-year of family health insurance if the VP of Sales is terminated without cause (as defined) within one year of hire.

**NOTE 18 – SUBSEQUENT EVENTS**

*Prepaid Advance Liability*

Subsequent to December 31, 2023, the Company issued 40,276,430 shares of common stock, at a purchase price per share ranging from \$ 0.13 to \$ 0.41 , pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$ 8,326,457 . Of the gross proceeds, \$ 2,610,650 was retained by the Company to fund operations. The remaining proceeds were applied against the principal and interest owed in connection with the Prepaid Advance Liability. As of March 27, 2024, the Prepaid Advance Liability and related accrued interest has been repaid in full. See Note 11 – Prepaid Advance Liability for additional information.

On January 9, 2024, the Company had entered into a letter agreement with Yorkville to defer the Company's December 31, 2023 (the “December Payment”) payment of \$ 2,000,000 plus accrued interest and a 5 % cash payment premium until February 29, 2024. On February 13, 2024, the Company entered into a letter agreement (the “Amendment Agreement”) with Yorkville to extend all payment due dates (including the December 2023, February 2024 and April 2024 payments) and to defer all payment obligations to December 31, 2024.

Under the terms of the Supplemental Agreement, the aggregate number of shares purchased under the SEPA could not initially exceed 19.9 % of the Company's outstanding common stock as of the date of the SEPA. Pursuant to its obligations under the agreement, on February 9, 2024, the Company obtained stockholder approval for the issuance of shares of common stock to Yorkville beyond the Exchange Cap.

*Merchant Cash Advance Agreement*

On January 22, 2024, the Company entered into a merchant cash advance agreement (the “Cash Advance Agreement”) whereby the Company received \$ 504,900 of cash (net of underwriting fees of \$ 35,100 ), and paid finder's fees in cash of \$ 21,600 and finder's fees to be issued in equity with an aggregate value of \$ 16,200 , with the obligation to repay a total of \$ 804,600 over thirty-two weekly payments of \$ 25,143.75 , beginning January 30, 2024. On February 26, 2024, the parties added an addendum to the agreement for an early payoff discount whereby the Company will owe \$ 756,000 if paid by March 22, 2024, or \$ 783,000 if paid by April 22, 2024.

On February 26, 2024, the Company entered into a merchant cash advance agreement (the “Second Cash Advance Agreement”) with the lender mentioned above whereby the Company received \$ 502,200 of cash (net of underwriting fees of \$ 37,800 ), and paid finder's fees in cash of \$ 21,600 and finder's fees to be issued in equity with an aggregate value of \$ 16,200 , with the obligation to repay a total of \$ 804,600 over thirty weekly payments of \$ 26,820 , beginning February 29, 2024.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Unregistered Sales of Equity Securities*

On January 26, 2024, the Board of Directors ("Board"), approved, authorized, and ratified the issuance of 730,000 shares of previously designated Non-convertible Series A Voting Preferred Stock to the Chairman and Chief Executive Officer of the Company, Michael Mo, for no consideration, subject to the Board reserving the full and unequivocal right to revoke, rescind, transfer or otherwise cancel the issued Non-convertible Series A Voting Preferred Stock in the event Michael Mo is removed from any position with the Company or resigns from all positions with the Company.

The issuance of up to 1,000,000 shares of Non-convertible Series A Voting Preferred Stock was previously approved and authorized by a vote of the majority stockholders of the Company and reinforces and enhances the Company's flexibility to optimize the Company's negotiating position in any potential current and/or future engagements with commercial, financial, and/or strategic parties, and to provide defenses against potential hostile third-party actions.

*Leases*

On January 25, 2024, the Company entered into an amendment to the lease dated April 5, 2021 for the facility located at 4863 Shawline Street, San Diego, CA 92111. Pursuant to the amendment, the lease is extended for a period of eighteen months commencing June 1, 2024, and terminating November 30, 2025. Monthly rental payments under the amendment are \$ 29,337.30 .

On January 27, 2024, the Company entered into a new lease agreement for office space in Webster, Texas. The initial lease term is 63 months . Monthly rental payments under the new lease are \$ 30,086 , which is comprised of \$ 21,950 of base rent and \$ 11,136 of common area maintenance fees. No cash payments are due for the first three months of the lease.

*Promissory Notes*

On April 2, 2024, the Company entered into an agreement (the "Promissory Note"), with a lender (the "Lender"), pursuant to which the Lender purchased a promissory note with an initial principal amount of \$ 500,000 . The Company received cash proceeds of \$ 440,000 , resulting in a discount of \$ 60,000 , made up of an original issue discount of \$ 50,000 and debt issuance costs of \$ 10,000 . The Promissory Note carries an annual interest rate of 0 % , which shall increase to 15 % in the event of default, and has a maturity date of October 2, 2024, after which all outstanding principal and accrued interest will become immediately due.

On April 9, 2024, the Company entered into a note purchase agreement pursuant to which the Company issued a promissory note with an initial principal amount of \$ 200,000 and which matures on the first anniversary of its issuance. The Company received cash proceeds of \$ 200,000 . The promissory note carries an annual interest rate of 16 % . In the event the promissory note is prepaid within 9 months of its issuance, the holder is entitled to the repayment of principal and cash payment of interest equal to 12 % of the prepayment amount.

*Warrants*

As part of the January 2024 and February 2024 Merchant Cash Advance Agreements (see Merchant Cash Advance Agreement above), on April 9, 2024, the Company issued and delivered a total of 190,177 warrants to the FINRA-registered financial advisor that assisted with arranging the facility. The warrants grant the advisor the right to purchase one share of common stock for each warrant, at prices ranging from \$ 0.14 per share to \$ 0.19 per share, with a final expiration date of February 26, 2027 .



**DESCRIPTION OF CAPITAL STOCK**

The following summarizes the material terms of the capital stock of KULR Technology Group, Inc. ("KULR," "our Company," "we" or "us"). KULR is a corporation incorporated under the laws of the State of Delaware, and accordingly its internal corporate affairs are governed by Delaware law and by its certificate of incorporation, as amended (our "certificate of incorporation") and its by-laws, which are filed as exhibits to our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov). The following summary is qualified in its entirety by reference to the applicable provisions of Delaware law and our certificate of incorporation and by-laws, which are subject to future amendment in accordance with the provisions thereof. Our common stock is the only class of our securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

**Authorized Capital Stock**

Our authorized capital stock consists of 500,000,000 shares of common stock, par value \$0.0001 per share, and 20,000,000 shares of preferred stock, par value \$0.0001 per share. The number of shares of our common stock issued and outstanding as of a recent date is set forth on the cover page of our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. As of December 31, 2023, we had preferred stock designated as follows: 1,000,000 shares designated as Series A Preferred Stock (of which none were outstanding); 31,000 shares designated as Series B Convertible Preferred Stock (of which none were outstanding); 400 shares designated as Series C Convertible Preferred Stock (of which none were outstanding); and 650 shares designated as Series D Convertible Preferred Stock (of which none were outstanding).

**Common Stock**

*Voting Rights.* Each holder of our common stock is entitled to one vote per share on all matters on which stockholders are generally entitled to vote. Our certificate of incorporation does not provide for cumulative voting in the election of directors.

*Dividends.* Subject to the preferential rights, if any, of the holders of any outstanding series of our preferred stock, holders of shares of our common stock are entitled to receive dividends out of any of our funds legally available when, as and if declared by our Board of Directors (our "Board"). The timing, declaration, amount and payment of future dividends depend upon our financial condition, earnings, capital requirements and debt service obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that our Board deems relevant.

*Liquidation.* If we liquidate, dissolve or wind up our affairs, holders of our common stock will be entitled to share proportionately in our assets available for distribution to stockholders, subject to the preferential liquidation rights, if any, of the holders of any outstanding series of our preferred stock.

*Other Rights.* The holders of our common stock have no preemptive rights and no rights to convert their common stock into any other securities, and our common stock is not subject to any redemption or sinking fund provisions.

**Preferred Stock**

Under our certificate of incorporation and subject to the limitations prescribed by law, our Board, without stockholder approval, may issue our preferred stock in one or more series, and may establish from time to time the number of shares to be included in such series and may fix the designation, powers, privileges, preferences and relative

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participating, optional or other rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof.

When and if we issue additional shares of preferred stock, we will establish the applicable preemptive rights, dividend rights, voting rights, conversion privileges, redemption rights, sinking fund rights, rights upon voluntary or involuntary liquidation, dissolution or winding up and any other relative rights, preferences and limitations for the particular preferred stock series.

***Anti-Takeover Effects of Provisions of Delaware Law, Our Certificate of Incorporation and By-laws***

Delaware statutory law and our certificate of incorporation and by-laws contain provisions that could make acquisition of our Company by means of a tender offer, a proxy contest or otherwise more difficult. These provisions are intended to discourage certain types of coercive takeover practices and takeover bids that our Board may consider inadequate and to encourage persons seeking to acquire control of us to first negotiate with our Board. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms. The description of our certificate of incorporation and by-laws set forth below is only a summary and is qualified in its entirety by reference to our certificate of incorporation and by-laws, which have been filed as exhibits to our most recent Annual Report on Form 10-K.

***Blank Check Preferred Stock.*** Our certificate of incorporation permits us to issue, without any further vote or action by the stockholders, up to 20,000,000 shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of the series, and the preferences and relative, participating, optional and other rights, if any, and any qualifications, limitations or restrictions, of the shares of such series. The ability to issue such preferred stock could discourage potential acquisition proposals and could delay or prevent a change in control.

***Number of Directors; Filling Vacancies; Removal.*** Our certificate of incorporation and by-laws provide that the Board will consist of not less than one member, with the exact number of directors to be fixed exclusively by the Board. In addition, our certificate of incorporation and by-laws provide that a board vacancy resulting from the death, resignation, disqualification or removal of a director or other cause, as well as a vacancy resulting from an increase in the number of directors, may be filled solely by the affirmative vote of a majority of the remaining directors then in office even though that may be less than a quorum of the Board.

***Special Meetings.*** Our certificate of incorporation and by-laws provide that special meetings of the stockholders may only be called by our Board, certain officers of our Company or two-thirds or more in amount, of each class or series of the capital stock of our Company entitled to vote at such meeting on the matters that are the subject of the proposed meeting. These provisions may make it more difficult for stockholders to take an action opposed by our Board.

***Section 203 of the Delaware General Corporation Law .*** Section 203 of the DGCL provides that, subject to certain specified exceptions, a corporation will not engage in any "business combination" with any "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder unless (1) before that time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (2) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares) or (3) on or after such time, both the board of directors of the corporation and at least 66<sup>2</sup>/<sub>3</sub> percent of the outstanding voting stock which is not owned by the interested stockholder approves the business combination. Section 203 of the DGCL generally defines an "interested stockholder" to include (x) any person that owns 15 percent or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and owned 15 percent or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the relevant date and (y) the affiliates and associates of any such person.

Section 203 of the DGCL generally defines a "business combination" to include (1) mergers and sales or other dispositions of 10 percent or more of the corporation's assets with or to an interested stockholder, (2) certain transactions resulting in the issuance or transfer to the interested stockholder of any stock of the corporation or its subsidiaries, (3) certain transactions which would increase the proportionate share of the stock of the corporation or its subsidiaries owned by the interested stockholder and (4) receipt by the interested stockholder of the benefit (except proportionately as a stockholder) of any loans, advances, guarantees, pledges, or other financial benefits.

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Under certain circumstances, Section 203 of the DGCL makes it more difficult for a person who would be an "interested stockholder" to effect various business combinations with a corporation for a three-year period, although the certificate of incorporation or stockholder-adopted by-laws may exclude a corporation from the restrictions imposed under Section 203. Neither our certificate of incorporation nor our by-laws exclude our Company from the restrictions imposed under Section 203 of the DGCL. We anticipate that Section 203 may encourage companies interested in acquiring our Company to negotiate in advance with our Board since the statute's supermajority stockholder approval requirement would not be applicable if our Board approves, prior to the time the stockholder becomes an interested stockholder, either the business combination or the transaction which results in the stockholder becoming an interested stockholder.

***Transfer Agent and Registrar***

The transfer agent and registrar for our common stock is VStock Transfer LLC.

***Market Information***

Our common stock is currently traded on the NYSE American LLC Exchange under the symbol "KULR."

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**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT**

We consent to the incorporation by reference in the Registration Statement of KULR Technology Group, Inc. on Form S-3 (File No. 333-257697) and Forms S-8 (File No. 333-227751 and File No. 333-261404) of our report dated April 12, 2024, which includes as an explanatory paragraph as to the ability of KULR Technology Group, Inc. to continue as a going concern, with respect to our audits of the consolidated financial statements of KULR Technology Group, Inc. as of December 31, 2023 and 2022 and for each of the two years in the period ended December 31, 2023, which report is included in this Annual Report on Form 10-K of KULR Technology Group, Inc. for the year ended December 31, 2023.

/s/ Marcum LLP

Marcum LLP  
Los Angeles, CA  
April 12, 2024

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**Certification of  
Principal Executive Officer  
of KULR TECHNOLOGY GROUP, INC.  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael Mo, certify that:

1. I have reviewed this annual report on Form 10-K of KULR Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 12, 2024

By: /s/ Michael Mo

Michael Mo  
Chief Executive Officer  
(Principal Executive Officer)

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**Certification of  
Principal Financial Officer  
of KULR TECHNOLOGY GROUP, INC.  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Shawn Canter, certify that:

1. I have reviewed this annual report on Form 10-K of KULR Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 12, 2024

By: /s/ Shawn Canter

Shawn Canter  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of KULR Technology Group, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: April 12, 2024

By: /s/ Michael Mo  
Michael Mo  
Chief Executive Officer  
(Principal Executive Officer)

Dated: April 12, 2024

By: /s/ Shawn Canter  
Shawn Canter  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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## KULR TECHNOLOGY GROUP, INC. (the "Company")

## CLAWBACK POLICY

**Introduction**

The Board of Directors of the Company (the "**Board**"), believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment and recovery of certain erroneously awarded incentive-based executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified in Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and Section 811 of the NYSE American LLC Company Guide. Unless otherwise defined in this Policy, capitalized terms shall have the meaning ascribed to such terms in the Exchange Act.

**Administration**

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

**Covered Executives**

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed, and such other executives or employees who may from time to time be deemed subject to the Policy by the Board ("**Covered Executives**").

**Recoupment; Accounting Restatement**

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The Board will require reimbursement or forfeiture of any excess Incentive-Based Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

**Incentive-Based Compensation**

For purposes of this Policy, Incentive-Based Compensation means any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options/ equity incentive grants.
- Stock appreciation rights.
- Restricted stock.
- Restricted stock units.
- Performance shares.
- Performance units.

Incentive-Based Compensation is deemed "received" for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

Financial reporting measure means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and any measure that is derived wholly or in part from such measure, and which includes:

- Company stock price.
  - Total shareholder return.
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- Revenues.
- Net income.
- Earnings before interest, taxes, depreciation, and amortization (EBITDA).
- Funds from operations.
- Liquidity measures such as working capital or operating cash flow.
- Return measures such as return on invested capital or return on assets.
- Earnings measures such as earnings per share.

A Financial Reporting Measure is not required to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to qualify as a "Financial Reporting Measure."

#### **Excess Incentive-Based Compensation: Amount Subject to Recovery**

The amount to be recovered will be the excess of the Incentive-Based Compensation paid to the Covered Executive based on the erroneous data over the Incentive-Based Compensation that would have been paid to the Covered Executive had it been based on the restated amounts and must be computed without regard to any taxes paid.

If the Board cannot determine the amount of excess Incentive-Based Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

#### **Method of Recoupment**

The Board will, in its sole discretion, determine the method for recouping Incentive-Based Compensation from the Covered Executives which may include, without limitation:

- (a) requiring reimbursement of cash Incentive-Based Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Board.

#### **No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive-Based Compensation.

#### **Interpretation**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed.

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**Effective Date**

This Policy shall be effective as of the date it is adopted by the Board (the " **Effective Date**") and shall apply to Incentive-Based Compensation that is approved, awarded or granted to Covered Executives on or after October 2, 2023.

**Amendment; Termination**

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time, provided such termination is in compliance with the law.

**Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

**Impracticability**

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed.

**Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

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