REFINITIV

DELTA REPORT

10-Q

ESS TECH, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	7585
CHANGES	643
DELETIONS	879
ADDITIONS	6063

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023 September 30, 2023

OR

 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 001-39525

ESS Tech Inc Logo.jpg

ESS Tech, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-1550150**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
26440 SW Parkway Ave., Bldg. 83	
Wilsonville, Oregon	**97070**
(Address of Principal Executive Offices)	(Zip Code)

(855) 423-9920

Registrant's telephone number, including area code

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value per share	GWH	New York Stock Exchange
Warrants, each whole warrant exercisable for one share of common stock at an exercise price of $11.50	GWH.W	New York Stock Exchange

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 of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Table of Contents

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, a 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	☐	Accelerated filer	☐
Non-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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

As of August 4, 2023November 9, 2023, the registrant had 155,590,152173,008,042 shares of common stock, par value $0.0001, issued and outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including, without limitation, statements in "*Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "plans," "possible," "may," "might," "will," "potential," "projects," "predicts," "continue," "could," "would" or "should," or, in each case, their negative or other variations or comparable terminology. These words and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business.

These statements are based on management's current expectations, but actual results may differ materially due to various factors, risks, and uncertainties, including, but not limited to:

- our financial and business performance, including financial projections and business metrics;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- the implementation, market acceptance and success of our technology implementation and business model;
- our ability to scale in a cost-effective manner;
- developments and projections relating to our competitors and industry;
- the impact of the Russia-Ukraine conflict, geopolitical tensions involving China, an escalation of conflict in the Middle East, and similar macroeconomic events, including global supply chain challenges, foreign currency fluctuations, instability in the banking sector and financial markets, elevated inflation and interest rates and monetary policy changes, upon our and our customers', contractors', suppliers' and partners' respective businesses;
- our expectations regarding our ability to obtain and maintain intellectual property protection and not infringe on the rights of others;
- our future capital requirements and sources and uses of cash;
- our ability to obtain funding for our operations;
- our business, expansion plans and opportunities;
- our relationships with third-parties, third parties, including our customers, contractors, and suppliers;
- issues related to the shipment, installation, and operation of our products;
- issues related to contract execution, including customer acceptance of our products;
- our ability to recognize the benefits of strategic partnerships;
- the outcome of any known and unknown litigation and regulatory proceedings;
- our ability to successfully deploy the proceeds from the Business Combination (as defined herein);
- expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act ("JOBS Act"); and
- other risks and uncertainties discussed in "*Part II—Item 1A. Risk Factors*" and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and involve a number of risks, uncertainties (some of which are beyond our control) and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in "*Part II—Item 1A. Risk Factors*" and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those

Table of Contents

projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. These risks and others described in "*Part II—Item 1A. Risk Factors*" may not be exhaustive.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods.

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ESS Tech, Inc.
Condensed Consolidated Balance Sheets
(unaudited)
(in thousands, except share and per share data)

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Assets	**Assets**			**Assets**		
Current assets:	**Current assets:**			**Current assets:**		
Cash and cash equivalents	Cash and cash equivalents	$ 30,287	$ 34,767	Cash and cash equivalents	$ 37,173	$ 34,767
Restricted cash, current	Restricted cash, current	1,373	1,213	Restricted cash, current	1,373	1,213
Accounts receivable, net	Accounts receivable, net	1,393	4,952	Accounts receivable, net	1,265	4,952
Short-term investments	Short-term investments	69,216	105,047	Short-term investments	87,329	105,047
Inventory				Inventory	2,256	—
Prepaid expenses and other current assets	Prepaid expenses and other current assets	3,148	5,657	Prepaid expenses and other current assets	2,035	5,657
Total current assets	**Total current assets**	105,417	151,636	**Total current assets**	131,431	151,636
Property and equipment, net	Property and equipment, net	18,483	17,570	Property and equipment, net	17,986	17,570
Intangible assets, net				Intangible assets, net	4,990	—
Operating lease right-of-use assets	Operating lease right-of-use assets	2,797	3,401	Operating lease right-of-use assets	2,485	3,401
Restricted cash, non-current	Restricted cash, non-current	944	675	Restricted cash, non-current	945	675
Other non-current assets	Other non-current assets	115	271	Other non-current assets	824	271
Total assets	**Total assets**	$ 127,756	$ 173,553	**Total assets**	$ 158,661	$ 173,553
Liabilities and Stockholders' Equity						
Liabilities and stockholders' equity				**Liabilities and stockholders' equity**		
Current liabilities:	**Current liabilities:**			**Current liabilities:**		
Accounts payable	Accounts payable	$ 2,838	$ 3,036	Accounts payable	$ 3,192	$ 3,036
Accrued and other current liabilities	Accrued and other current liabilities	8,970	14,125	Accrued and other current liabilities	9,846	14,125
Accrued product warranties	Accrued product warranties	5,103	1,643	Accrued product warranties	2,636	1,643
Operating lease liabilities, current	Operating lease liabilities, current	1,500	1,421	Operating lease liabilities, current	1,541	1,421
Deferred revenue	Deferred revenue	3,167	6,168	Deferred revenue	1,424	6,168
Notes payable, current	Notes payable, current	1,127	1,600	Notes payable, current	—	1,600
Total current liabilities	**Total current liabilities**	22,705	27,993	**Total current liabilities**	18,639	27,993
Notes payable, non-current	Notes payable, non-current	—	315	Notes payable, non-current	—	315
Operating lease liabilities, non-current	Operating lease liabilities, non-current	1,767	2,535	Operating lease liabilities, non-current	1,365	2,535
Deferred revenue, non-current	Deferred revenue, non-current	3,348	2,442	Deferred revenue, non-current	4,905	2,442

Deferred revenue, non-current - related parties				Deferred revenue, non-current - related parties	15,000	—
Common stock warrant liabilities	Common stock warrant liabilities	2,636	3,209	Common stock warrant liabilities	2,292	3,209
Other non-current liabilities	Other non-current liabilities	—	85	Other non-current liabilities	—	85
Total liabilities	**Total liabilities**	30,456	36,579	**Total liabilities**	42,201	36,579
Commitments and contingencies (Note 7)						
Commitments and contingencies (Note 9)				**Commitments and contingencies (Note 9)**		
Stockholders' equity:	**Stockholders' equity:**			**Stockholders' equity:**		
Preferred stock ($0.0001 par value; 200,000,000 shares authorized, none issued and outstanding as of June 30, 2023 and December 31, 2022)		—	—			
Common stock ($0.0001 par value; 2,000,000,000 shares authorized, 155,570,588 and 153,821,339 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively)		16	16			
Preferred stock ($0.0001 par value; 200,000,000 shares authorized, none issued and outstanding as of September 30, 2023 and December 31, 2022)				Preferred stock ($0.0001 par value; 200,000,000 shares authorized, none issued and outstanding as of September 30, 2023 and December 31, 2022)	—	—
Common stock ($0.0001 par value; 2,000,000,000 shares authorized, 173,007,592 and 153,821,339 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively)				Common stock ($0.0001 par value; 2,000,000,000 shares authorized, 173,007,592 and 153,821,339 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively)	18	16
Additional paid-in capital	Additional paid-in capital	760,693	755,537	Additional paid-in capital	796,469	755,537
Accumulated deficit	Accumulated deficit	(663,409)	(618,579)	Accumulated deficit	(680,027)	(618,579)
Total stockholders' equity	**Total stockholders' equity**	97,300	136,974	**Total stockholders' equity**	116,460	136,974
Total liabilities and stockholders' equity		$ 127,756	$ 173,553			

Table of Contents

Total liabilities and stockholders' equity	$ 158,661	$ 173,553

See accompanying notes to the condensed consolidated financial statements

Table of Contents

ESS Tech, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited)
(in thousands, except share and per share data)

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Revenue:	**Revenue:**					**Revenue:**				
Revenue	Revenue	$ 2,826	$ 404	$ 3,197	$ 404	Revenue	$ 1,544	$ 191	$ 4,741	$ 595
Revenue - related parties	Revenue - related parties	1	282	2	282	Revenue - related parties	1	1	3	283
Total revenue	Total revenue	2,827	686	3,199	686	Total revenue	1,545	192	4,744	878
Cost of revenue						**Cost of revenue**	10,183	—	10,183	—
Gross profit (loss)						**Gross profit (loss)**	(8,638)	192	(5,439)	878
Operating expenses:	**Operating expenses:**					**Operating expenses:**				
Research and development	Research and development	19,450	16,165	37,181	29,063	Research and development	1,609	20,127	38,790	49,190
Sales and marketing	Sales and marketing	1,739	1,900	3,592	3,402	Sales and marketing	2,056	1,815	5,648	5,217
General and administrative	General and administrative	5,845	6,797	11,132	14,586	General and administrative	5,831	5,981	16,963	20,567
Total operating expenses	Total operating expenses	27,034	24,862	51,905	47,051	Total operating expenses	9,496	27,923	61,401	74,974
Loss from operations	Loss from operations	(24,207)	(24,176)	(48,706)	(46,365)	Loss from operations	(18,134)	(27,731)	(66,840)	(74,096)
Other income (expenses), net:	**Other income (expenses), net:**					**Other income (expenses), net:**				
Interest income, net	Interest income, net	1,330	247	2,582	218	Interest income, net	1,155	781	3,737	999
Gain (loss) on revaluation of common stock warrant liabilities	Gain (loss) on revaluation of common stock warrant liabilities	(115)	8,596	573	25,101	Gain (loss) on revaluation of common stock warrant liabilities	344	(4,585)	917	20,515
Other income (expense), net	Other income (expense), net	63	(255)	721	(251)	Other income (expense), net	17	(62)	738	(312)
Total other income (expenses), net	Total other income (expenses), net	1,278	8,588	3,876	25,068	Total other income (expenses), net	1,516	(3,866)	5,392	21,202
Net loss and comprehensive loss to common stockholders	**Net loss and comprehensive loss to common stockholders**	$ (22,929)	$ (15,588)	$ (44,830)	$ (21,297)	**Net loss and comprehensive loss to common stockholders**	$ (16,618)	$ (31,597)	$ (61,448)	$ (52,894)
Net loss per share - basic and diluted	Net loss per share - basic and diluted	$ (0.15)	$ (0.10)	$ (0.29)	$ (0.14)	**Net loss per share - basic and diluted**	$ (0.11)	$ (0.21)	$ (0.40)	$ (0.35)

Weighted-average shares used in per share calculation - basic and diluted	Weighted-average shares used in per share calculation - basic and diluted	154,900,330	152,723,980	154,514,265	152,206,773	**Weighted-average shares used in per share calculation - basic and diluted**	157,076,260	152,861,300	155,377,648	152,427,346

See accompanying notes to the condensed consolidated financial statements

Table of Contents

ESS Tech, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)
(in thousands, except share data)

		Common Stock		Additional	Accumulated	Total		Common Stock		Additional	Accumulated	Total
		Shares	**Amount**	**Paid-In Capital**	**Deficit**	**Stockholders' Equity**		**Shares**	**Amount**	**Paid-In Capital**	**Deficit**	**Stockholders' Equity**
Balance as of December 31, 2021	**Balance as of December 31, 2021**	151,839,058	$ 16	$ 745,753	$ (540,610)	$ 205,159	**Balance as of December 31, 2021**	151,839,058	$ 16	$ 745,753	$ (540,610)	$ 205,159
Issuance of common stock under stock-based compensation plans	Issuance of common stock under stock-based compensation plans	1,011,687	—	47	—	47	Issuance of common stock under stock-based compensation plans	1,011,687	—	47	—	47
Cancellation of shares used to settle payroll tax withholding	Cancellation of shares used to settle payroll tax withholding	(244,202)	—	(2,808)	—	(2,808)	Cancellation of shares used to settle payroll tax withholding	(244,202)	—	(2,808)	—	(2,808)
Warrants exercised	Warrants exercised	20	—	—	—	—	Warrants exercised	20	—	—	—	—
Stock-based compensation expense	Stock-based compensation expense	—	—	2,760	—	2,760	Stock-based compensation expense	—	—	2,760	—	2,760
Net loss	Net loss	—	—	—	(5,709)	(5,709)	Net loss	—	—	—	(5,709)	(5,709)
Balance as of March 31, 2022	**Balance as of March 31, 2022**	152,606,563	$ 16	$ 745,752	$ (546,319)	$ 199,449	**Balance as of March 31, 2022**	152,606,563	$ 16	$ 745,752	$ (546,319)	$ 199,449
Issuance of common stock under stock-based compensation plans	Issuance of common stock under stock-based compensation plans	209,085	—	48	—	48	Issuance of common stock under stock-based compensation plans	209,085	—	48	—	48
Stock-based compensation expense	Stock-based compensation expense	—	—	2,945	—	2,945	Stock-based compensation expense	—	—	2,945	—	2,945
Net loss	Net loss	—	—	—	(15,588)	(15,588)	Net loss	—	—	—	(15,588)	(15,588)
Balance as of June 30, 2022	**Balance as of June 30, 2022**	152,815,648	$ 16	$ 748,745	$ (561,907)	$ 186,854	**Balance as of June 30, 2022**	152,815,648	$ 16	$ 748,745	$ (561,907)	$ 186,854

Issuance of common stock under stock-based compensation plans							Issuance of common stock under stock-based compensation plans	104,066	—	7	—	7
Stock-based compensation expense							Stock-based compensation expense	—	—	2,998	—	2,998
Net loss							Net loss	—	—	—	(31,597)	(31,597)
Balance as of September 30, 2022							**Balance as of September 30, 2022**	152,919,714	$ 16	$ 751,750	$ (593,504)	$ 158,262
Balance as of December 31, 2022	**Balance as of December 31, 2022**	153,821,339	$ 16	$ 755,537	$ (618,579)	$ 136,974	**Balance as of December 31, 2022**	153,821,339	$ 16	$ 755,537	$ (618,579)	$ 136,974
Issuance of common stock under stock-based compensation plans	Issuance of common stock under stock-based compensation plans	523,591	—	104	—	104	Issuance of common stock under stock-based compensation plans	523,591	—	104	—	104
Stock-based compensation expense	Stock-based compensation expense	—	—	2,059	—	2,059	Stock-based compensation expense	—	—	2,059	—	2,059
Net loss	Net loss	—	—	—	(21,901)	(21,901)	Net loss	—	—	—	(21,901)	(21,901)
Balance as of March 31, 2023	**Balance as of March 31, 2023**	154,344,930	$ 16	$ 757,700	$ (640,480)	$ 117,236	**Balance as of March 31, 2023**	154,344,930	$ 16	$ 757,700	$ (640,480)	$ 117,236
Issuance of common stock under stock-based compensation plans	Issuance of common stock under stock-based compensation plans	1,225,658	—	268	—	268	Issuance of common stock under stock-based compensation plans	1,225,658	—	268	—	268
Stock-based compensation expense	Stock-based compensation expense	—	—	2,725	—	2,725	Stock-based compensation expense	—	—	2,725	—	2,725
Net loss	Net loss	—	—	—	(22,929)	(22,929)	Net loss	—	—	—	(22,929)	(22,929)
Balance as of June 30, 2023	**Balance as of June 30, 2023**	155,570,588	$ 16	$ 760,693	$ (663,409)	$ 97,300	**Balance as of June 30, 2023**	155,570,588	$ 16	$ 760,693	$ (663,409)	$ 97,300
Issuance of common stock under stock-based compensation plans							Issuance of common stock under stock-based compensation plans	945,250	—	31	—	31
Stock-based compensation expense							Stock-based compensation expense	—	—	2,889	—	2,889
Issuance of common stock and common stock warrants, net of issuance costs of $368 thousand							Issuance of common stock and common stock warrants, net of issuance costs of $368 thousand	16,491,754	2	32,856	—	32,858
Net loss							Net loss	—	—	—	(16,618)	(16,618)

Balance as of September 30, 2023	**Balance as of September 30, 2023**	173,007,592	$ 18	$ 796,469	$ (680,027)	$ 116,460

See accompanying notes to the condensed consolidated financial statements

Table of Contents

ESS Tech, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

		Six Months Ended June 30,			Nine Months Ended September 30,	
		2023	**2022**		**2023**	**2022**
Cash flows from operating activities:	**Cash flows from operating activities:**			**Cash flows from operating activities:**		
Net loss	**Net loss**	$ (44,830)	$ (21,297)	**Net loss**	$ (61,448)	$ (52,894)
Adjustments to reconcile net loss to net cash used in operating activities:	Adjustments to reconcile net loss to net cash used in operating activities:			Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	Depreciation and amortization	2,105	463	Depreciation and amortization	3,187	828
Non-cash interest (income) expense		(1,487)	7			
Non-cash interest income				Non-cash interest income	(2,438)	(527)
Non-cash lease expense	Non-cash lease expense	604	555	Non-cash lease expense	916	841
Stock-based compensation expense	Stock-based compensation expense	4,784	5,705	Stock-based compensation expense	7,673	8,703
Inventory write-downs and losses on noncancellable purchase commitments				Inventory write-downs and losses on noncancellable purchase commitments	11,422	—
Change in fair value of common stock warrant liabilities	Change in fair value of common stock warrant liabilities	(573)	(25,101)	Change in fair value of common stock warrant liabilities	(917)	(20,515)
Other non-cash income and expenses, net		(33)	238			
Other non-cash (income) expenses, net				Other non-cash (income) expenses, net	(34)	306
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Accounts receivable, net	Accounts receivable, net	4,653	1,841	Accounts receivable, net	3,874	437
Inventory				Inventory	(13,132)	—
Prepaid expenses and other assets	Prepaid expenses and other assets	2,561	1,336	Prepaid expenses and other assets	3,701	1,497
Accounts payable	Accounts payable	(664)	(786)	Accounts payable	275	(1,604)
Accrued and other current liabilities	Accrued and other current liabilities	(4,234)	1,961	Accrued and other current liabilities	(4,305)	5,525

REFINITIV

Accrued product warranties	Accrued product warranties	3,460	1,158	Accrued product warranties	993	1,148
Deferred revenue	Deferred revenue	(3,189)	(687)	Deferred revenue	12,532	(117)
Operating lease liabilities	Operating lease liabilities	(689)	74	Operating lease liabilities	(1,050)	(248)
Net cash used in operating activities	**Net cash used in operating activities**	(37,532)	(34,533)	**Net cash used in operating activities**	(38,751)	(56,620)
Cash flows from investing activities:	**Cash flows from investing activities:**			**Cash flows from investing activities:**		
Purchases of property and equipment	Purchases of property and equipment	(3,440)	(8,463)	Purchases of property and equipment	(4,209)	(11,186)
Maturities and purchases of short-term investments, net	Maturities and purchases of short-term investments, net	37,363	(79,599)	Maturities and purchases of short-term investments, net	20,208	(123,467)
Net cash provided by (used in) investing activities	**Net cash provided by (used in) investing activities**	33,923	(88,062)	**Net cash provided by (used in) investing activities**	15,999	(134,653)
Cash flows from financing activities:	**Cash flows from financing activities:**			**Cash flows from financing activities:**		
Proceeds from issuance of common stock and common stock warrants, net of issuance costs				Proceeds from issuance of common stock and common stock warrants, net of issuance costs	27,132	—
Payments on notes payable	Payments on notes payable	(800)	(967)	Payments on notes payable	(1,733)	(1,500)
Proceeds from stock options exercised	Proceeds from stock options exercised	122	95	Proceeds from stock options exercised	236	102
Proceeds from contributions to Employee Stock Purchase Plan	Proceeds from contributions to Employee Stock Purchase Plan	332	—	Proceeds from contributions to Employee Stock Purchase Plan	332	—
Repurchase of shares from employees for income tax withholding purposes	Repurchase of shares from employees for income tax withholding purposes	(82)	(2,808)	Repurchase of shares from employees for income tax withholding purposes	(165)	(2,808)
Other, net	Other, net	(14)	(7)	Other, net	(214)	(15)
Net cash used in financing activities		(442)	(3,687)			
Net cash provided by (used in) financing activities				**Net cash provided by (used in) financing activities**	25,588	(4,221)
Net change in cash, cash equivalents and restricted cash	**Net change in cash, cash equivalents and restricted cash**	(4,051)	(126,282)	**Net change in cash, cash equivalents and restricted cash**	2,836	(195,494)
Cash, cash equivalents and restricted cash, beginning of period	**Cash, cash equivalents and restricted cash, beginning of period**	36,655	240,232	**Cash, cash equivalents and restricted cash, beginning of period**	36,655	240,232
Cash, cash equivalents and restricted cash, end of period	**Cash, cash equivalents and restricted cash, end of period**	$ 32,604	$ 113,950	**Cash, cash equivalents and restricted cash, end of period**	$ 39,491	$ 44,738

See accompanying notes to the condensed consolidated financial statements

[Table of Contents](#)

ESS Tech, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(unaudited)
(in thousands)

		Six Months Ended June 30,			Nine Months Ended September 30,	
		2023	2022		2023	2022
Supplemental disclosures of cash flow information:	**Supplemental disclosures of cash flow information:**			**Supplemental disclosures of cash flow information:**		
Cash paid for operating leases included in cash used in operating activities	Cash paid for operating leases included in cash used in operating activities	$ 827	$ 806	Cash paid for operating leases included in cash used in operating activities	$ 1,246	$ 1,213
Non-cash investing and financing transactions:	Non-cash investing and financing transactions:			Non-cash investing and financing transactions:		
Purchase of property and equipment included in accounts payable and accrued and other current liabilities	Purchase of property and equipment included in accounts payable and accrued and other current liabilities	931	556	Purchase of property and equipment included in accounts payable and accrued and other current liabilities	747	1,718
Right-of-use operating lease assets obtained in exchange for lease obligations	Right-of-use operating lease assets obtained in exchange for lease obligations	—	4,534	Right-of-use operating lease assets obtained in exchange for lease obligations	—	4,534
Right-of-use finance lease assets obtained in exchange for lease obligations	Right-of-use finance lease assets obtained in exchange for lease obligations	—	123	Right-of-use finance lease assets obtained in exchange for lease obligations	—	123
Common stock warrants issued for the acquisition of intangible assets				Common stock warrants issued for the acquisition of intangible assets	4,990	—
Cash and cash equivalents	Cash and cash equivalents	$ 30,287	$ 112,708	Cash and cash equivalents	$ 37,173	$ 42,896
Restricted cash, current	Restricted cash, current	1,373	1,167	Restricted cash, current	1,373	1,167
Restricted cash, non-current	Restricted cash, non-current	944	75	Restricted cash, non-current	945	675
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 32,604	$ 113,950	Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 39,491	$ 44,738

Table of Contents

ESS TECH, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business—ESS Tech, Inc. ("ESS" or the "Company") is a long-duration energy storage company specializing in iron flow battery technology. ESS develops long-duration iron flow batteries for commercial and utility-scale energy storage applications requiring four or more hours of flexible energy capacity predominantly using earth-abundant materials. The Company has historically been in the research and development phase. On a quarterly basis the Company evaluates had evaluated a combination of evidence including production quality metrics, field functionality to date, revenue trends, and existing contracts with customers. Based on this the evaluation performed during the third quarter of 2023, the Company anticipates it will transition transitioned out of the research and development phase and into commercial inventory accounting in the third quarter as of 2023. July 1, 2023 (the "Transition Date").

The Company was originally incorporated as a Cayman Islands exempted company on July 21, 2020 as a publicly traded special purpose acquisition company under the name ACON S2 Acquisition Corp. ("STWO") for the purpose of effecting a business combination. On October 8, 2021 (the "Closing Date"), the Company consummated a business combination (the "Business Combination") pursuant to the merger agreement, dated May 6, 2021, by and among STWO, SCharge Merger Sub, Inc., a Delaware corporation and wholly owned direct subsidiary of STWO ("Merger Sub"), and ESS Tech, Inc., a Delaware corporation ("Legacy ESS"), wherein Merger Sub merged with and into Legacy ESS, with Legacy ESS surviving as a wholly owned subsidiary of STWO. On the Closing Date, STWO changed its name from "ACON S2 Acquisition Corp." to "ESS Tech, Inc.", and its shares of common stock and warrants for shares of common stock commenced trading on the New York Stock Exchange under the ticker symbols "GWH" and "GWH.W," respectively.

Basis of Presentation—The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Condensed Consolidated Financial Statements—The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of the Company's management, necessary in order to make the condensed consolidated financial statements not misleading. Operating results for the three and six nine months ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC on March 2, 2023.

Reclassifications—Certain immaterial prior year amounts have been reclassified to conform with current year presentation. These reclassifications had no effect on the reported results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

TheAs discussed in Note 1, *Description of Business and Basis of Presentation*, during the third quarter of 2023 the Company reached commercial viability and transitioned out of the research and development phase and into commercial inventory accounting on the Transition Date. As a result of the transition, all inventoriable costs incurred are capitalized, net of any lower of cost or net realizable value ("LCNRV") charges, which are recognized as cost of revenue. Further, unfulfilled noncancellable purchase commitments are recognized as expense for estimated losses in cost of revenue and warranty and fulfillment costs are recorded as a component of cost of revenue rather than research and development expense beginning on the Transition Date.

Other than as outlined below, the Company's significant accounting policies have not changed materially from those disclosed in the annual audited consolidated financial statements and accompanying notes of the Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

As discussed in Note 1, Inventory Description of Business and Basis of Presentation, the Company anticipates that it will reach commercial viability and will transition out —As of the research Transition Date, inventory consists of raw materials, work in progress, finished goods, and development phase service parts and into commercial inventory accounting in is stated on a first-in, first-out basis at the third quarter of 2023. Beginning in the period of transition all inventoriable costs will be capitalized, net of any lower of cost or net realizable value. Net realizable value charges, and recognized as cost is the estimated selling price of goods sold rather than research and development expense. Further, unfulfilled noncancellable purchase commitments currently only disclosed in Note 7, *Commitments and Contingencies*, will be recognized as estimated losses inventory in the condensed consolidated statement ordinary course of operations business, less estimated costs of completion, disposal, and comprehensive loss and warranty expense and fulfillment costs will be recorded as a component of cost of goods sold rather than research and development expense.

Accounts Receivable, Net— transportation. The Company evaluates periodically makes judgments and estimates regarding the creditworthiness of its customers. If the collection of any specific receivable is doubtful, an allowance is recorded in the allowance for expected credit losses which is included future utility and carrying in accounts receivable, value of inventory. When inventory is adjusted to its net realizable value, a new cost basis is established and such cost is not adjusted for any potential recovery. Obsolete inventories are written off to cost of revenue. Should the Company's estimates of future selling prices or production costs change, additional and potentially material write-downs may be required. A small change in the condensed consolidated balance sheets. The Company had no allowance for Company's estimates may result in a material charge to its reported financial results.

Research and Development—Research and development costs are expensed as incurred and, as of the Transition Date, consist of materials, supplies, personnel-related expenses, allocated facilities costs, consulting services and other direct expenses. Personnel-related expenses consist of salaries, benefits and stock-based compensation. Substantially all of the Company's research and development expenses are related to improving existing products and developing new products and related technologies. Prior to the Transition Date, research and development costs also included direct product development material costs, including freight charges, and warranty-related costs.

Intangible Assets, Net—Intangible assets are stated at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their expected credit losses recorded at either June 30, 2023 or December 31, 2022. useful lives.

Recently Adopted Accounting Pronouncements—On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model, which will result in earlier recognition of credit losses. The adoption did not result in a material impact to the Company's condensed consolidated financial statements or related disclosures. In future periods, as revenue and accounts receivable increase, ASU 2016-13 could have a material impact on its condensed consolidated financial statements.

3. INVENTORY

Inventory consists of the following (in thousands):

	September 30, 2023	December 31, 2022
Raw materials	$ 4,805	$ —
Work in process	8,327	—
Finished goods	—	—
Inventory, gross	$ 13,132	$ —
Net realizable value adjustment	(10,876)	—
Inventory	$ 2,256	$ —

The Company recorded a $11.4 million charge to reflect the LCNRV of inventory and losses on firm purchase commitments during the three and nine months ended September 30, 2023 and none in the prior year within cost of revenue in the Company's condensed consolidated statements of operations and comprehensive loss. Additionally, the Company has LCNRV losses related to firm purchase commitments which, as of the Transition Date, are reflected in the materials and related purchases component of accrued and other liabilities on the condensed consolidated balance sheets. For further details, refer to Note 9, *Commitments and Contingencies*.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following (in thousands):

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Machinery and equipment	Machinery and equipment	$ 15,114	$ 13,699	Machinery and equipment	$ 16,173	$ 13,699
Furniture and fixtures	Furniture and fixtures	184	184	Furniture and fixtures	184	184
Leasehold improvements	Leasehold improvements	3,194	3,115	Leasehold improvements	3,233	3,115
Software	Software	183	183	Software	183	183
Construction in process	Construction in process	4,748	3,230	Construction in process	4,236	3,230
Total property and equipment	Total property and equipment	23,423	20,411	Total property and equipment	24,009	20,411
Less accumulated depreciation	Less accumulated depreciation	(4,940)	(2,841)	Less accumulated depreciation	(6,023)	(2,841)
Total property and equipment, net	Total property and equipment, net	$ 18,483	$ 17,570	Total property and equipment, net	$ 17,986	$ 17,570

Depreciation and amortization expense related to property and equipment, net was $1.0 million $1.1 million and $261 $358 thousand for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and $2.1 million $3.2 million and $457 $815 thousand for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

Table of Contents

4. 5. INTANGIBLE ASSETS, NET

In September 2023, the Company acquired patents valued at $5.0 million under a Patent License Agreement with UOP LLC (“UOP”), an affiliate of Honeywell International Inc. (“Honeywell”), a related party. These patents were recorded at fair value based on the value of the IP Warrants issued, as defined in Note 10, *Common Stock Warrants*, and are amortized over an average useful life of 19 years based on the remaining useful lives of the patents acquired. Amortization expense for the three and nine months ended September 30, 2023 was immaterial. For further details, refer to Note 16, *Related Parties*.

6. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consist of the following (in thousands):

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Payroll and related benefits	Payroll and related benefits	$ 3,220	$ 2,948	Payroll and related benefits	$ 4,160	$ 2,948
Materials and related purchases	Materials and related purchases	3,147	6,892	Materials and related purchases	2,624	6,892
Professional and consulting fees				Professional and consulting fees	1,206	1,011
Amounts due to customers	Amounts due to customers	1,014	770	Amounts due to customers	922	770
Professional and consulting fees		755	1,011			
Accrued capital purchases	Accrued capital purchases	224	1,093	Accrued capital purchases	330	1,093
Other	Other	610	1,411	Other	604	1,411
Total accrued and other current liabilities	Total accrued and other current liabilities	$ 8,970	$ 14,125	Total accrued and other current liabilities	$ 9,846	$ 14,125

5. 7. ACCRUED PRODUCT WARRANTIES

The following table summarizes product warranty activity (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Accrued product warranties - beginning of period	$ 2,874	$ —	$ 1,643	$ —
Accruals for warranties issued	3,674	$ 1,805	5,178	1,805
Repairs and replacements	(789)	$ (647)	(1,062)	(647)
Adjustments to existing accruals	(656)	—	(656)	—
Accrued product warranties - end of period	$ 5,103	$ 1,158	$ 5,103	$ 1,158

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Accrued product warranties - beginning of period	$ 5,103	$ 1,158	$ 1,643	$ —
Accruals for warranties issued	231	348	5,409	2,153
Repairs and replacements	(103)	(358)	(1,172)	(1,005)
Adjustments to existing accruals	(2,595)	—	(3,244)	—
Accrued product warranties - end of period	$ 2,636	$ 1,148	$ 2,636	$ 1,148

6. 8. BORROWINGS

Borrowings consist As of the following (in thousands):

	June 30, 2023	December 31, 2022
Total notes payable	$ 1,127	$ 1,915
Less current portion of notes payable	1,127	1,600
Notes payable, non-current	$ —	$ 315

Notes Payable

In 2018, December 31, 2022, the Company entered into had $1.9 million of current outstanding notes payable to a $1.0 million note payable with Silicon Valley Bank ("SVB") that was bank which were secured by all property of the Company, except for its intellectual property. The note payable's original maturity date was July 1, 2021.

In March 2020, the Company amended the note payable and borrowed an additional $4.0 million. The additional $4.0 million borrowing changed the present value of cash flows by more than 10% and, as such, was treated as a debt extinguishment. The Company recognized a $62 thousand loss on extinguishment of debt for the year ended December 31, 2020. The Company's notes payable to SVB were recorded at fair value as part of the extinguishment. The $4.0 million note payable's original maturity date was January 1, 2023.

In April 2020, the Company entered into a deferral agreement ("Deferral Agreement") to extend the maturity date of the original $1.0 million note payable to September 1, 2022 and extend the maturity date of the additional $4.0 million note payable to January 1, 2024. The Company accounted for the Deferral Agreement as a debt modification based on an analysis of cash flows before and after the debt modification.

The original $1.0 million note payable was fully repaid in September 2022, pursuant to the terms of the Deferral Agreement.

The notes payable bear bore interest at 0.50% below the bank's prime rate (7.75% on June 30, 2023). rate. The Company makes made monthly interest and principal payments on the notes payable based on the schedule defined in the agreement.

In connection with the closure of SVB on March 10, 2023, the notes payable have been assumed by First Citizens BancShares. The notes payable retained the same existing terms and covenants that were in place with SVB.

At June 30, 2023 and subsequently, the notes payable were in default due to lower than required cash balances held by the Company at SVB; however, no event of default has been declared nor has acceleration of indebtedness been triggered by the bank. As discussed further in Note 15, *Subsequent Events* On July 7, 2023, the Company elected to repay all outstanding notes payable with a payment of $1.0 million to First Citizens Bank. The transaction amount repaid the note payable on July 7, 2023 without acceleration triggered by outstanding principal balance, interest and a final payment due of $200 thousand. Following this transaction, the bank. Per the January 1, 2024 maturity date, the Company's notes payable are classified within notes payable, current as of June 30, 2023.balance was zero.

7. 9. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company, from time to time, is a party to various claims, legal actions, and complaints arising in the ordinary course of business. The Company is not aware of any material legal proceedings or other claims, legal actions, or complaints through the date of issuance of these condensed consolidated financial statements.

Letters of Credit

As of December 31, 2022, the Company had a standby letter of credit with First Republic Bank totaling $725 thousand as security for an operating lease of office and manufacturing space in Wilsonville, Oregon. As of June 30, 2023 September 30, 2023, the letter of credit was reduced to $75 thousand. As of June 30, 2023 the letter of credit thousand and was secured by a restricted certificate of deposit account totaling $75 thousand. thousand recorded as restricted cash, non-current. There were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

On September 1, 2022, the Company executed a standby letter of credit with CitiBank, N.A., for $600 thousand as security for the performance and payment of the Company's obligations under a customer agreement. The letter of

credit is in effect until the date on which the warranty period under the agreement expires, which is anticipated to be in 2025. In June 2023, the letter of credit was transferred to Bank of America. As of June 30, 2023 September 30, 2023, $600 thousand was pledged as collateral for the letter of credit and recorded as restricted cash, non-current. There were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023.

On March 9, 2023, the Company executed a standby letter of credit with SVB Silicon Valley Bank ("SVB") for $200 thousand in support of the Company's customs and duties due on imported materials. In June 2023, the letter of credit was transferred to Bank of

America. The letter of credit is in effect until May 19, 2024. As of June 30, 2023 September 30, 2023, $200 thousand was pledged as collateral for the letter of credit and recorded as restricted cash, current. There were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023.

Purchase Commitments

The Company purchases materials from several suppliers and has entered into agreements with various contract manufacturers, which include cancellable and noncancellable purchase commitments. As of June 30, 2023 September 30, 2023 and December 31, 2022, total unfulfilled noncancellable purchase commitments were $869 $546 thousand and $1.6 million, respectively. In addition, total unfulfilled cancellable purchase commitments amounted to $9.6 million $6.9 million and $14.9 million as of June 30, 2023 September 30, 2023, and December 31, 2022, respectively. These

As discussed in Note 2, *Significant Accounting Policies*, during the third quarter of 2023 the Company exited the research and development phase and entered the commercial inventory phase and began recording unfulfilled noncancellable purchase commitments as losses within cost of revenue in the condensed consolidated statements of operations and comprehensive loss. Prior to the Transition Date, these purchase commitments were not recorded in the condensed consolidated financial statements as they related to the Company's research and development activities and not the production of commercial inventory. As discussed in Note 2, *Significant Accounting Policies*, it is anticipated that

Joint Development Agreement

In September 2023, the Company will exit entered into a Joint Development Agreement ("JDA") with UOP, an affiliate of Honeywell, a related party, under which the parties would work collaboratively to engage in certain research and development phase activities generally related to flow battery technology. Pursuant to the JDA, the Company agreed to reimburse UOP a minimum of $8.0 million for research and enter development expenses incurred through December 31, 2028. No expenses were incurred under the commercial inventory phase in JDA during the third quarter of 2023 at which point unfulfilled noncancellable purchase commitments will begin to be recognized as losses as a component of cost of goods sold in the condensed consolidated financial statements. three and nine months ended September 30, 2023.

8. 10. COMMON STOCK WARRANTS

Common stock warrant balances consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Public Warrants outstanding	7,377,893	7,377,893	7,377,893	7,377,893
Private Warrants outstanding:				
Other Private Warrants outstanding	3,500,000	3,500,000	3,500,000	3,500,000
Earnout Warrants outstanding	583,334	583,334	583,334	583,334
SMUD Warrant outstanding			12,500	12,500
Honeywell Warrants outstanding:				
Investment Warrant outstanding			10,631,633	—
IP Warrant outstanding			6,269,955	—
Performance Warrants outstanding			775,760	—
Total common stock warrants	11,461,227	11,461,227	29,151,075	11,473,727

As part of STWO's initial public offering, 8,333,287 warrants to purchase common stock (the "Public Warrants") were sold. The Public Warrants are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "GWH.W." The Public Warrants entitle the holder thereof to purchase one share of common stock at a price of $11.50 per share, subject to adjustments. The Public Warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants. The Public Warrants will expire on October 8, 2026, five years after completion of the Business Combination, or earlier upon redemption or liquidation.

The Company may call the Public Warrants for redemption starting any time, in whole and not in part, at a price of $0.01 per warrant, so long as the Company provides no less than 30 days prior written notice of redemption to each warrant holder, and if, and only if, the reported last sale price of common stock equals or exceeds $18.00 per share or $10.00

Table of Contents

$10.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders provided there is an effective registration statement covering the shares of common stock issuable upon exercise of the warrants.

The Company may call the Public Warrants for redemption starting any time, in whole and not in part, at a price of $0.10 per warrant, so long as the Company provides no less than 30 days prior written notice of redemption to each warrant holder; provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive a number of shares determined based on the redemption date fair market value of the shares, and if, and only if, the reported last sale price of common stock equals or exceeds $10.00 per share or $10.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders provided there is an effective registration statement covering the shares of common stock issuable upon exercise of the warrants.

Simultaneously with STWO's initial public offering, STWO issued in a private placement 4,666,667 warrants to purchase common stock (the "Private Warrants") to STWO's sponsor. In connection with the Business Combination, STWO's sponsor agreed to forfeit 583,333 Private Warrants. Of the remaining 4,083,334 Private Warrants, 3,500,000 were immediately vested and 583,334 warrants (the "Earnout Warrants") were vested upon meeting certain earnout milestone events on November 9, 2021. Each Private Warrant and Earnout Warrant is exercisable for one share of common stock at a price of $11.50 per share, subject to adjustment.

The Private Warrants and Earnout Warrants, post vesting on November 9, 2021, are identical to the Public Warrants, except that the Private Warrants and Earnout Warrants and the shares of common stock issuable upon exercise of the

Table of Contents

Private Warrants were not transferable, assignable or salable until 30 days after the completion of the Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants and Earnout Warrants are non-redeemable so long as they are held by the initial purchasers or such purchasers' permitted transferees. If the Private Warrants and Earnout Warrants are held by someone other than their initial purchasers or their permitted transferees, then the Private Warrants and Earnout Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Additionally, if the Company redeems the Public Warrants when the common stock equals or exceeds $10.00 per share for any 20 trading days within a 30-day period ending on the third trading day prior to the date the Company sends the notice of redemption to warrant holders and the closing price of the common share for any 20 trading days within the same period is less than $18.00 per share, the Company must concurrently redeem the Private Warrants and Earnout Warrants.

The table below shows the common stock warrant activities during the six nine months ended June 30, 2023 September 30, 2023:

		December 31, 2022	**Issued**	**Exercised**	**June 30, 2023**		**December 31, 2022**	**Issued**	**Exercised**	**September 30, 2023**
Earnout Warrants	Earnout Warrants	583,334	—	—	583,334	Earnout Warrants	583,334	—	—	583,334
Public Warrants	Public Warrants	7,377,893	—	—	7,377,893	Public Warrants	7,377,893	—	—	7,377,893
Private Warrants (excluding Earnout Warrants)	Private Warrants (excluding Earnout Warrants)	3,500,000	—	—	3,500,000	Private Warrants (excluding Earnout Warrants)	3,500,000	—	—	3,500,000
SMUD Warrant						SMUD Warrant	12,500	—	—	12,500
Investment Warrant						Investment Warrant	—	10,631,633	—	10,631,633
IP Warrant						IP Warrant	—	6,269,955	—	6,269,955
Performance Warrants						Performance Warrants	—	775,760	—	775,760
Total common stock warrants	Total common stock warrants	11,461,227	—	—	11,461,227	Total common stock warrants	11,473,727	17,677,348	—	29,151,075

The table below shows the common stock warrant activities during the six nine months ended June 30, 2022 September 30, 2022:

		December 31, 2021	**Issued**	**Exercised**	**June 30, 2022**		**December 31, 2021**	**Issued**	**Exercised**	**September 30, 2022**
Earnout Warrants	Earnout Warrants	583,334	—	—	583,334	Earnout Warrants	583,334	—	—	583,334
Public Warrants	Public Warrants	7,377,913	—	20	7,377,893	Public Warrants	7,377,913	—	20	7,377,893
Private Warrants (excluding Earnout Warrants)	Private Warrants (excluding Earnout Warrants)	3,500,000	—	—	3,500,000	Private Warrants (excluding Earnout Warrants)	3,500,000	—	—	3,500,000
SMUD Warrant						SMUD Warrant	—	12,500	—	12,500

Total common stock warrants	Total common stock warrants	11,461,247	—	20	11,461,227	Total common stock warrants	11,461,247	12,500	20	11,473,727

The Company's common stock warrants were initially recorded at fair value upon completion of the Business Combination and are adjusted to fair value at each reporting date based on the market price of the Public Warrants,

Table of Contents

with the change in fair value recorded as a component of other income and expense in the condensed consolidated statements of operations and comprehensive loss. For the six nine months ending June 30, 2023 September 30, 2023, the Company recorded a net decrease to the liabilities for Earnout Warrants, Public Warrants and Private Warrants (excluding Earnout Warrants) of $29 $47 thousand, $369 $590 thousand and $175 $280 thousand, respectively. For the six nine months ended June 30, 2022 September 30, 2022, the Company recorded a net decrease to the liabilities for the for Earnout Warrants, Public Warrants and Private Warrants (excluding Earnout Warrants) of $1.3 million $1.0 million, $16.2 million $13.2 million and $7.7 million $6.3 million, respectively.

SMUD Warrant

On September 16, 2022, the Company entered into a warrant agreement with the Sacramento Municipal Utility District ("SMUD"), whereby the Company agreed to issue a warrant for up to 500,000 shares of the Company's common stock at an exercise price of $4.296 per share. The vesting of the shares underlying the warrant will be subject to the achievement of certain commercial milestones through December 31, 2030 pursuant to a related commercial agreement. As of June 30, 2023 September 30, 2023 and December 31, 2022, 12,500 shares underlying the warrant were vested.

Honeywell Warrants

On September 21, 2023, the Company entered into a Common Stock and Warrant Purchase Agreement (the "Purchase Agreement") with Honeywell ACS Ventures LLC ("Honeywell Ventures"), an affiliate of Honeywell, a related party. Pursuant to the Purchase Agreement, Honeywell invested $27.5 million in the Company and the Company issued 16,491,754 shares of common stock and a warrant to issue up to 10,631,633 shares of common stock (the "Investment Warrant") to Honeywell Ventures. Pursuant to the Purchase Agreement and also as further consideration for the licensing by UOP, an affiliate of Honeywell, of certain intellectual property to the Company, the Company issued a warrant to issue up to 6,269,955 shares of common stock (the "IP Warrant") to UOP. The Investment Warrant has an exercise price of $1.89, and the IP Warrant has an exercise price of $2.90. Each warrant will expire on September 21, 2028.

On September 21, 2023, the Company and UOP also entered into a Master Supply Agreement (the "Supply Agreement"), pursuant to which UOP may purchase equipment supplied by the Company. Pursuant to the Supply Agreement, the Company agreed to issue additional warrants to purchase common stock to UOP, consisting of (i) an initial performance warrant to issue up to 775,760 shares of common stock, issued on September 21, 2023 in exchange for a prepayment of equipment by UOP in the amount of $15 million, and (ii) additional performance warrants (not to exceed an aggregate value of $15 million based on target purchase amounts of up to $300 million by 2030) to be issued on an annual basis for the five-year period beginning in 2026, based on UOP's purchase of additional equipment after execution of the Supply Agreement (the "Performance Warrants"). The initial Performance Warrant has an exercise price of $1.45 and the additional Performance Warrants will have an exercise price equal to the volume-weighted average price of the Company's common stock for the last fifteen (15) trading days of the relevant calendar year for which such Performance Warrant is being issued. The initial Performance Warrant will expire on September 21, 2028 and each additional Performance Warrant will have a five-year term from its respective date of issuance.

Table of Contents

9. 11. STOCK-BASED COMPENSATION

Stock-based compensation expense is allocated on a departmental basis based on the classification of the award holder. The following table presents the amount of stock-based compensation related to stock-based awards to employees on the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Cost of revenue						Cost of revenue	$ 878	$ —	$ 878	$ —
Research and development	Research and development	$ 1,130	$ 587	$ 2,123	$ 1,173	Research and development	278	767	2,401	1,941
Sales and marketing	Sales and marketing	165	125	315	179	Sales and marketing	211	127	526	306
General and administrative	General and administrative	1,430	2,233	2,346	4,353	General and administrative	1,522	2,104	3,868	6,456

Total stock-based compensation	Total stock-based compensation	$ 2,725	$ 2,945	$ 4,784	$ 5,705	Total stock-based compensation	$ 2,889	$ 2,998	$ 7,673	$ 8,703

2021 Equity Incentive Plan

In October 2021, the Board of Directors of the Company adopted the ESS Tech, Inc. 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan became effective upon consummation of the Business Combination. Stock awards under the plan may be issued as Incentive Stock Options ("ISO"), Non-statutory Stock Options ("NSO"), Stock Appreciation Rights, and Restricted Stock Awards ("RSU"). Only employees are eligible to receive ISO awards. Employees, directors, and consultants who are providing provide continuous service to the Company are eligible to receive stock awards other

- 15 -

Table of Contents

than ISOs. The number of shares available for issuance under the 2021 Plan will be increased on the first day of each fiscal year beginning with the 2022 fiscal year and ending with the 2031 fiscal year, in an amount equal to the lesser of (i) 15,260,000 Shares, shares, (ii) five percent (5%) of the outstanding shares on the last day of the immediately preceding fiscal year, or (iii) such number of shares determined by the Company no later than the last day of the immediately preceding fiscal year. Under the 2021 Plan, the Company is authorized to issue 22,224,640 shares of common stock as of June 30, 2023 September 30, 2023.

Option prices for incentive stock options are set at the fair market value of the Company's common stock at the date of grant. The fair market value of RSUs is set at the closing sales price of the Company's common stock at the date of grant. Employee new hire grants generally cliff vest 1/4th at the end of the first year and then vest 1/16th each quarter over the remaining three years. Grants expire 10 years from the date of grant.

As of June 30, 2023 September 30, 2023, there were 8,286,345 6,085,009 shares available for future grant under the 2021 Plan.

Stock Options and Restricted Stock Units

Stock option and RSU activity, prices, and values during the six nine months ended June 30, 2023 September 30, 2023 are as follows (in thousands, except for share, per share, and contractual term data):

	Options Outstanding			
Number of shares	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic values (

- 14 -

Table of Contents

No options were granted during the six months ended June 30, 2023. The weighted average assumptions used to 2022 September 30, 2023 and September 30, 2022 were as follows:

Risk-free rate
Expected volatility
Expected term
Expected dividends

Risk-free rate
Expected volatility
Expected term
Expected dividends

As of June 30, 2023 September 30, 2023, there was approximately $28.6 million $28.2 million of unamortized st expected to be recognized over a weighted-average period of 2.95 years.

Employee Stock Purchase Plan

In May 2022, the Company commenced its first offering period under the ESS Tech, Inc. Employee Stock Purch Company. The ESPP permits eligible employees to purchase common stock at a discount through payroll deducti of stock in any calendar year. The price of shares purchased under the ESPP is equal to 85% of the fair market va Total ESPP expense for the three and six nine months ended June 30, 2023 September 30, 2023 was $90

- 16 -

Table of Contents

$89 thousand and $149 $238 thousand, respectively. Total ESPP expense for the three and six nine months en
respectively.

10. 12. FAIR VALUE MEASUREMENTS

The following tables present the Company's fair value hierarchy for its financial assets measured at fair value on a r

		June 30, 2023		
		Cash Equivalents and Restricted Cash	Short-Term Investments	Total Assets at Fair Value
Level 1:	Level 1:			
Money market funds	Money market funds	$ 10,978	$ —	$ 10,978
U.S. Treasury securities	U.S. Treasury securities	7,981	29,927	37,908
Total Level 1	Total Level 1	18,959	29,927	48,886
Level 2:	Level 2:			
Certificate of deposit	Certificate of deposit	76	—	76
U.S. agency securities	U.S. agency securities	—	17,715	17,715
Commercial paper	Commercial paper	7,972	21,574	29,546
Total Level 2	Total Level 2	8,048	39,289	47,337
Total assets measured at fair value	Total assets measured at fair value	$ 27,007	$ 69,216	$ 96,223

	Cash Equivalents a Cash
Level 1:	
Money market funds	$
U.S. Treasury securities	
Total Level 1	
Level 2:	
Certificate of deposit	
U.S. agency securities	
Commercial paper	
Total Level 2	
Total assets measured at fair value	$

Table of Contents

	Cash Equivalents a Cash
Level 1:	
Money market funds	$
U.S. Treasury securities	
Total Level 1	
Level 2:	
Certificate of deposit	
U.S. agency securities	

Commercial paper	
Total Level 2	
Total assets measured at fair value	$

The following tables present the Company's fair value hierarchy for its financial liabilities measured at fair value on

		June 30, 2023								L
			Level 1		Level 2		Level 3		Total	
Liabilities:	Liabilities:									
Earnout warrants	Earnout warrants	$	—	$	134	$	—	$	134	
Public warrants	Public warrants		1,697		—		—		1,697	
Private warrants (excluding earnout warrants)	Private warrants (excluding earnout warrants)		—		805		—		805	
Total liabilities measured at fair value	Total liabilities measured at fair value	$	1,697	$	939	$	—	$	2,636	

		Level 1
Liabilities:		
Earnout warrants	$	-
Public warrants		2,06
Private warrants (excluding earnout warrants)		-
Total liabilities measured at fair value	$	2,06

There were no transfers among Level 1, Level 2, or Level 3 categories during the periods presented. The carrying ar due to their short maturities.

Level 1 Assets: The Company invests in money market funds and U.S U.S. Treasury securities that have maturities o for securities with identical characteristics.

Level 2 Assets: The Company invests in a certificate of deposit, U.S. agency securities, and commercial paper. The similar characteristics and other observable inputs (such as interest rates that are observable at commonly quoted

Level 1 Liabilities: The Company values its public common stock warrants based on the market price of the warrants

Level 2 Liabilities: The Company values its Earnout Warrant liabilities and private common stock warrants based on

For trading securities held at the reporting date, net losses recorded during the three and six nine months end thousand and $185 thousand, respectively. were immaterial.

11. 13. INCOME TAXES

The Company did not record an income tax provision for the three and six nine months ended June 30, 2023 accordingly, has recorded a valuation allowance against

Table of Contents

substantially all of the Company's net deferred tax assets. The Company records a valuation allowance when it is be realized.

12. 14. GOVERNMENT GRANTS

Inflation Reduction Act of 2022 ("IRA")

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 into law. The IRA has significant eco in service after December 31, 2022. Starting in 2023, there are Production Tax Credits under Internal Revenue Code to U.S. or foreign customers. The tax credits available to manufacturers include a credit for ten percent of the cost of battery cells and $10 per kWh of capacity of battery modules. The credits are cumulative, meaning that compa produced and sold through 2029, after which the PTC will begin to gradually phase down through 2032.

Since the PTC is a refundable credit (i.e., a credit with a direct-pay option available), the PTC is outside the scope o government grant

model. GAAP does not address the accounting for government grants received by a business entity that are c
Accounting for Government Grants and Disclosure of Government Assistance, under IFRS Accounting Standards. Unde
grant, the grant money should be recognized on a systematic basis over the periods in which the entity recognize
Company recognizes grants once it is probable that both of the following conditions will be met: (1) the Compa
conditions of the grant.

The PTC is recorded as the applicable items are produced and sold. For the three and nine months ended Sept
revenue on the condensed consolidated statements of operations and comprehensive loss. As of September 30
prepaid expenses and other current assets on the condensed consolidated balance sheets.

15. REVENUE

Disaggregated Revenue

The following table presents the Company's revenue, disaggregated by source (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,		
		2023	2022	2023	2022	
Product revenue	Product revenue	$ 2,822	$ 606	$ 3,188	$ 606	Produ reven
Service and other revenue	Service and other revenue	5	80	11	80	Servic other reven
Total revenue	Total revenue	$ 2,827	$ 686	$ 3,199	$ 686	Tota reve

The majority of the Company's revenue is derived from the product sales of energy storage systems.

Contract Balances

Contract assets relate to unbilled amounts resulting from contract arrangements in which the related revenue re
has not yet occurred. Deferred revenue (or contract liabilities) relates to consideration received from customers in
the related contractual arrangements. Contract balances are reported in a net contract asset or deferred reve
Contract assets are included in prepaid expenses and other current assets and deferred revenue is presented sepa

The following table provides information about contract assets and deferred revenue from contracts with custome

		June 30, 2023	December 31, 2022	
Contract assets	Contract assets	$ 119	$ 11	Contra
Deferred revenue	Deferred revenue	6,515	8,610	Deferre revenu

Contract assets increased by $108 $293 thousand during the six nine months ended June 30, 2023 September 30, 2
revenue decreased increased by $2.1 million $12.7 million during the six nine months ended June 30, 2023 Septemb
recognition of $3.2 million $4.6 million of revenue that was included in the deferred revenue balance at the be
thousand of reclassifications to accrued and other current liabilities due to changes in the estimation of variable co

Deferred revenue of $3.2 million $1.4 million is expected to be recognized within the next 12 months and non-
subsequent twelve months. thereafter.

13. 16. RELATED PARTY TRANSACTIONS

During the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized reven
parties, respectively. During the three and six nine months

ended June 30, 2022 September 30, 2022, the Company recognized revenue of $282 $1 thousand and $283 thousan

As of June 30, 2023 September 30, 2023, the Company had recorded deferred revenue of $3 $2 thousand for sales c
recorded deferred revenue of $5 thousand for sales of extended warranty services to related parties.

Effective September 21, 2023, Honeywell became a related party as a result of the common stock and common s
2023, the Company had recorded a non-refundable deposit on equipment received from Honeywell of $15.0 milli

initial Performance Warrant issued to Honeywell within other non-current assets on the condensed consolidated
to revenue in the period in which revenue is earned.

Table of Contents

14. 17. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockh

		Three Months Ended June 30,		Six Months Ended June 30,		
		2023	2022	2023	2022	
Numerator:	Numerator:					Nur
Net loss attributable to common stockholders	Net loss attributable to common stockholders	$ (22,929)	$ (15,588)	$ (44,830)	$ (21,297)	Ne att co sto
Denominator:	Denominator:					Den
Weighted-average shares outstanding – basic and diluted	Weighted-average shares outstanding – basic and diluted	154,900,330	152,723,980	154,514,265	152,206,773	We av sh ou ba dil
Net loss per share – basic and diluted	Net loss per share – basic and diluted	$ (0.15)	$ (0.10)	$ (0.29)	$ (0.14)	Net sha and

Due to the net losses for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, basic
securities would have been anti-dilutive.

The following outstanding balances of common share equivalents have been excluded from the calculation of dilu
periods presented:

Stock options
RSUs
Warrants
Total

15. SUBSEQUENT EVENTS

On July 7, 2023, the Company elected to repay all outstanding notes payable with a payment of $1.0 million to Fir
and a final payment due of $200 thousand. Following this transaction, the Company's notes payable balance was z

Stock options
RSUs
Warrants
Total

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2022. This discussion contains forward-l from those discussed below. Factors that could cause or contribute to such differences include those identified below and Form 10-Q.

Overview

We are a long-duration energy storage company specializing in iron flow battery technology. We design and produce
be cycled over 20,000 times without capacity fade. Because we designed our batteries to operate using an electrolyte o

Our long-duration iron flow batteries are the product of nearly 50 years of scientific advancement. Our founders, Craig
Our team has significantly enhanced the technology, improved the round-trip efficiency and developed an innov
researchers developing iron flow batteries. Our proprietary solution to eliminate the hydroxide formation is known a
negative electrode. The Proton Pump converts the hydrogen back into protons in the positive electrolyte. This process

Our batteries provide flexibility to grid operators and energy assurance for commercial and industrial customers. Ou
that compares favorably to lithium-ion batteries, the most widely deployed alternative technology. Using our iron f
provide reliable, safe, long-duration energy storage. Our first energy storage product, the Energy Warehouse, is o
premises, behind the service demarcation with the utility) that offers energy storage ranging from four to twelve-hou
being designed for "front-of-the-meter" (referring to solutions that are located outside the customer's premises, typi
known as independent power producers) deployments specifically for utility and large commercial and industrial cons
are under development for integration into third-party systems.

Key Factors and Trends Affecting O

We believe that our performance and future success depends on several factors that present significant opportuni
section "*Part II—Item 1A. Risk Factors*" of this Quarterly Report on Form 10-Q.

We believe we have the opportunity to establish attractive margin unit economics if we are able to continue to reduce
our ability to deliver on these economies of scale with lower product costs. We believe our business model is posi
customer base. Significant improvements in manufacturing scale are expected to decrease the per unit cost of mater
on achieving scale in our business including finalizing development and manufacturing of Energy Centers and selling o

Our near-term and medium-term revenue is expected to be generated from our second-generation Energy Warehous
proposition and an opportunity for favorable margins and unit economics in the energy storage industry in the future

Impact of Macroeconomic Developments

We are closely monitoring macroeconomic developments, including global supply chain challenges, foreign currency
global events, such as the Russia-Ukraine conflict, the conflict in the Middle East, and other areas of geopolitical t
contractors', suppliers' and partners' respective businesses. In particular, weak economic conditions or significant
inflation, recession or governmental fiscal, monetary and tax policies, among others, could adversely impact our and
ongoing tightening in the

Table of Contents

credit market, lower levels of liquidity, increases in rates of default and bankruptcy, and significant volatility in equity a

Table of Contents

all negatively impact our customers, contractors, suppliers and partners. Potentially as a result of these macroe
constraints, increased shipping delays for certain customer contracts, and delays in timing of payments from some c
second half remainder of 2023.

To the extent that challenging macroeconomic conditions persist, we may experience an extension and worsening o
results of operations in future periods. These effects could include, among others, slower purchasing decisions by
existing customer contracts, further reduction or delays in purchasing decisions by our customers, potential losses
materials and freight resulting from continued inflationary cost pressures.

For further discussion of the challenges and risks we confront related to macroeconomic conditions and geopolitica
Report on Form 10-Q.

Inflation Reduction Act of 2022

On August 16, 2022, President Biden signed into law the Inflation Reduction Act (the "IRA"), which extends the avai
changes to the tax credit regime that applies to solar and energy storage products. As a result of changes made by
expanded to include stand-alone battery storage. We believe this expansion provides significant certainty on the tax i
IRA will increase demand for our services due to the extensions and expansions of various tax credits that are critical f
the supply chain for materials and components for energy storage systems. We are continuing to evaluate the overall
of comparable legislation in other jurisdictions, to our results of operations going forward.

As discussed in Note 14, *Government Grants*, to our condensed consolidated financial statements, starting in 2023, the
to U.S. or foreign customers. The tax credits available to manufacturers include a credit for ten percent of the cost inc
battery cells and $10 per kWh of capacity of battery modules. The credits are cumulative, meaning that companies
produced and sold through 2029, after which the PTC will begin to gradually phase down through 2032. We expect the

Components of Results of Oper

Revenue and Cost of revenue

We earn revenue from the sale of our energy storage products and from service contracts. Revenue from service
products.

We recognize revenues subject to the terms of our customer contracts and in accordance with ASC 606, *Revenue fro*
accordingly, we have deferred revenues and contract assets depending upon whether we can invoice in advance of s
respectively.

As discussed in Note 1, *Description of Business and Basis of Presentation*, to our condensed consolidated financial stat
out of the research and development phase and into commercial inventory accounting. Following the Transition D
overhead expenses. Cost of revenue also includes LCNRV charges, warranty costs, losses on unfulfilled noncancellab
and cost of revenue to increase as we scale the business and deliver our energy storage products.

Operating expenses

Research and development expenses

Costs related to Following the Transition Date, research and development expenses consist of direct product developr
personnel-related expenses, warranty-related costs, depreciation charges, overhead related allocated facilities costs, c
benefits and stock-based compensation. We expect our Prior to the Transition Date, research and development exper
warranty-related costs. Our research and development costs to decrease as we have decreased following the transiti
goods sold but 2023; however, we continue to perform some research and development activities to further expand o

Table of Contents

Sales and marketing expenses

Sales and marketing expenses consist primarily of salaries, benefits and stock-based compensation for marketing
expenses also include professional services costs, travel costs, and trade show sponsorships. We expect that our sales
to scale our business.

General and administrative expenses

General and administrative expenses consist of personnel-related expenses for our corporate, executive and other a
costs. Personnel-related expenses consist of salaries, benefits and stock-based compensation. We expect our gener
business and as a result of operating as a public company, including compliance with the rules and regulations of the S

Table of Contents

Other income (expenses), net

Interest income, net

Interest expense consists primarily of interest on our notes payable. payable, which were repaid in full in July 2023
restricted cash, and short-term investments. These amounts will vary based on our cash, cash equivalents, restricted c

Gain (loss) on revaluation of common stock warrant liabilities

The gain (loss) on revaluation of common stock warrant liabilities consists of periodic fair value adjustments related to

Other income (expense), net

Other income (expense), net consists primarily of various gains and losses associated with our short-term investments

Results of Operations

The following table sets forth ESS's operating results for the periods indicated:

		Three Months Ended June 30,				Six Months Ended June 30,				
($ in thousands)	**($ in thousands)**	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**	**($ i**

Revenue	Revenue	$ 2,827	$ 686	$ 2,141	312%	$ 3,199	$ 686	$ 2,513	366%	Rev
Cost of revenue										Cos
Gross profit (loss)										Gro
Operating expenses:	Operating expenses:									Op e
Research and development	Research and development	19,450	16,165	3,285	20	37,181	29,063	8,118	28	R
Sales and marketing	Sales and marketing	1,739	1,900	(161)	(8)	3,592	3,402	190	6	S
General and administrative	General and administrative	5,845	6,797	(952)	(14)	11,132	14,586	(3,454)	(24)	G
Total operating expenses	Total operating expenses	27,034	24,862	2,172	9	51,905	47,051	4,854	10	
Loss from operations	Loss from operations	(24,207)	(24,176)	(31)	—	(48,706)	(46,365)	(2,341)	5	
Other income (expenses), net:	Other income (expenses), net:									Oth (
Interest income, net	Interest income, net	1,330	247	1,083	438	2,582	218	2,364	N/M	
Gain (loss) on revaluation of common stock warrant liabilities	Gain (loss) on revaluation of common stock warrant liabilities	(115)	8,596	(8,711)	N/M	573	25,101	(24,528)	(98)	
Other income (expense), net	Other income (expense), net	63	(255)	318	N/M	721	(251)	972	N/M	
Total other income (expenses), net	Total other income (expenses), net	1,278	8,588	(7,310)	(85)	3,876	25,068	(21,192)	(85)	
Net loss and comprehensive loss to common stockholders	Net loss and comprehensive loss to common stockholders	$(22,929)	$(15,588)	$(7,341)	47%	$(44,830)	$(21,297)	$(23,533)	110%	Net c l s

N/M = Not meaningful

Table of Contents

Revenue

Revenue for the three and six nine months ended June 30, 2023 September 30, 2023 was $2.8 million $1.5 million and $3 for the three and six nine months ended June 30, 2022 September 30, 2022 as we delivered and recognized revenue fo half three quarters of 2023. 2023 compared to 2022.

Cost of goods sold revenu

During the third quarter of 2023 we reached commercial viability and transitioned out of the research and developm revenue as of the Transition Date. Cost of revenue for units associated with the revenue recognized in prior to the pe recognized as part of research and development expenses in the respective periods incurred; however, incurred. As th anticipate that we will exit price, after the research and development phase and enter the transition to commercial i begin to be recorded. We expect to begin accounting, we began recognizing lower of cost or net realizable charges a Additionally, losses on purchase commitments and inventory write-downs will have the impact are now being recorde 2, *Significant Accounting Policies*, to our condensed consolidated financial statements for further details on the acc consisted of direct materials, freight, overhead expenses, LCNRV charges, losses on firm purchase commitments and d

Research and developme

Research and development expenses increased decreased by $3.3 million $18.5 million or 20% 92% from $16.2 milli million $1.6 million for the three months ended June 30, 2023 September 30, 2023. The increase decrease resulted pr research and development accounting in the third quarter of 2023 into commercial inventory accounting as of th headcount, an increase in purchases of materials including stock-based compensation, and supplies, including related to manufacturing lines placed in service at the end of 2022.

reduced outside services cos

Research and development expenses increased decreased by $8.1 million $10.4 million or 28% 21% from $29.1 millio million $38.8 million for the six nine months ended June 30, 2023 September 30, 2023. The increase decrease resulted fro in the third quarter of 2023 into commercial inventory accounting as of the Transition Date. Combining cost of revenu results in $48.9 million of comparable expense which is consistent with prior period $49.2 million of research and deve supplies, including related freight costs, an increase in warranty-related costs, and increased depreciation expense September 30, 2022.

Sales and marketing

Sales and marketing expenses decreased increased by $161 $241 thousand or 8% 13% from $1.9 million $1.8 million for three months ended June 30, 2023 September 30, 2023. The decrease increase is driven by a decrease in fees paid to c expenses due to expanded headcount. sales headcount and fees paid to outside marketing and sales consultants.

Sales and marketing expenses increased by $190 $431 thousand or 6% 8% from $3.4 million $5.2 million for the six nine months ended June 30, 2023 September 30, 2023. The increase is driven by increased personnel-related expenses due t

General and administrati

General and administrative expenses decreased by $952 $150 thousand or 14% 3% from $6.8 million $6.0 million for the ended June 30, 2023 September 30, 2023. The decrease is primarily due to a decrease in stock-based compensation ex decreased expense, partially offset by increased fees paid to outside service providers including legal fees, accounting a

General and administrative expenses decreased by $3.5 million $3.6 million or 24% 18% from $14.6 million $20.6 milli million for the three nine months ended June 30, 2023 September 30, 2023. The decrease is due primarily to a decrease stock-based compensation expense and decreased insurance costs, decreased recruiting costs, partially offset by incre

Other income (expenses), net

Interest income, net

Interest income, net was $1.3 million $1.2 million for the three months ended June 30, 2023 September 30, 2023 compa The change resulted from a decrease in interest expense resulting primarily from a decrease in borrowings for 2023 co term investment portfolio during the three months ended June 30, 2023 September 30, 2023.

Interest income, net was $2.6 million $3.7 million for the six nine months ended June 30, 2023 September 30, 2023 comp 30, 2022. The change resulted from a decrease in interest expense resulting primarily from a decrease in borrowings f our short-term investment portfolio during the six nine months ended June 30, 2023 September 30, 2023.

Gain (loss) on revaluation of common stoc

The change in fair value of common stock warrant liabilities resulted in a loss gain of $115 $344 thousand for the three for the three months ended June 30, 2022 September 30, 2022. The changes in fair value of warrant liabilities were drive

The change in fair value of common stock warrant liabilities resulted in a gain of $573 $917 thousand for the six nine r the six nine months ended June 30, 2022 September 30, 2022. The changes in fair value of warrant liabilities were driven

Other income (expense), r

Other income (expense), net for the three months ended June 30, 2022 September 30, 2022 was $255 $62 thous 2023 September 30, 2023. The change is a result of unrealized gains reported on trading securities in 2023 compared to

Other income (expense), net for the six nine months ended June 30, 2022 September 30, 2022 was $251 $312 thousa 2023 September 30, 2023. The change is a result of an increase in funding received from federal agencies for our researc reported on trading securities.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through the issuance and sale of equity and debt secur from operations. As of June 30, 2023 September 30, 2023, we had an accumulated deficit of $663.4 million $680.0 million

[Table of Contents](#)

losses in the foreseeable future as a result of our cost of goods sold, revenue, research and development and other c
cash equivalents of $30.3 million $37.2 million, which is available to fund future operations, and short-term investmen
and short-term investments as of June 30, 2023 September 30, 2023 will enable us to maintain our operations and satis
condensed consolidated financial statements. However, we may seek to raise additional equity or debt financing. If su
less desirable than we expect, we may be forced to decrease our level of investment in product development or sca
prospects.

If we are required to raise additional funds by issuing equity securities, dilution to our stockholders would result. If w
provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise additional
privileges senior to those of holders of our common stock, and the terms of such debt securities or borrowings could
industry have in the past, and may in the future, experience periods of uncertainty that could impact the availability
Signature Bank destabilized many financial institutions and created uncertainty across the industry. Future defaults
our ability to access our capital and to obtain debt financing on favorable terms.

In March 2020, we borrowed $4.0 million through a note payable with SVB that is was secured by significantly all of ou
date was January 1, 2023; however, the maturity date was modified and extended to January 1, 2024. The note bears b
2023, the outstanding principal balance on the note payable was $1.1 million. rate. On July 7, 2023, we elected to repa
balance, interest and a final payment due of $200 thousand. As of September 30, 2023 there was no outstanding prin
Note 15, *Subsequent Events*, of our condensed consolidated financial statements.

As of December 31, 2022, we had a standby letter of credit with First Republic Bank totaling $725 thousand as securit
2023, the letter of credit was reduced to $75 thousand. As of June 30, 2023 September 30, 2023 the letter of credit was
draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023 and 20

On September 1, 2022, we executed a standby letter of credit with CitiBank, N.A., for $600 thousand as security for the
letter of credit is in effect until the date on which the warranty period under the agreement expires, which is anticipa
June 30, 2023 September 30, 2023, $600 thousand was pledged as collateral for the letter of credit and recorded as res
and six nine months ended June 30, 2023 September 30, 2023.

On March 9, 2023, we executed a standby letter of credit with SVB for $200 thousand in support of our customs and d
America. The letter of credit is in effect until March 9, 2024. As of June 30, 2023 September 30, 2023, $200 thousand was
were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 202

On September 21, we entered into a Common Stock and Warrant Purchase Agreement with Honeywell Ventures pursu
issued 16,491,754 shares of common stock and the Investment Warrant exercisable for up to 10,631,633 shares of Com

The following table summarizes cash flows from operating, investing and financing activities for the periods presented

Net cash used in operating activities
Net cash provided by (used in) investing activities
Net cash used in financing activities

Net cash used in operating activities
Net cash provided by (used in) investing activities
Net cash provided by (used in) financing activities

Cash flows from operating ac

Cash flows used in operating activities to date have been primarily comprised consisted of costs related to researc capabilities and other general and administrative activities. Beginning in the third quarter of 2023, following the tr consisted of inventory and cost of revenue.

Net cash used in operating activities was $37.5 million $38.8 million for the six nine months ended June 30, 2023 Septer income of $1.5 million $2.4 million, and noncash changes in the fair value of warrant liabilities of $573 $917 thou commitments of $11.4 million, stock-based compensation of $4.8 million $7.7 million and depreciation expense of $2.1 million of cash driven by cash collections on accounts receivable, a decrease in prepaid expenses and other current as and other current liabilities, deferred revenue, accounts payable and operating lease liabilities.

Net cash used in operating activities was $34.5 million $56.6 million for the six nine months ended June 30, 2022 Sep changes in the fair value of common stock warrant liabilities of $25.1 million $20.5 million, partially offset by stock-bas provided $4.9 million $6.6 million of cash driven by cash collections on accounts receivable, an increase in accrued and expenses and other current assets, partially offset by a decrease in accounts payable and an increase in deferred rever

Cash flows from investing activities:

Cash flows from investing activities have been comprised primarily of purchases and sales of short-term investments a

Net cash provided by investing activities was $33.9 million $16.0 million for the six nine months ended June 30, 2023 Se purchases of property and equipment.

Net cash used in investing activities was $88.1 million $134.7 million for the six nine months ended June 30, 2022 Sep property and equipment, primarily for our investment in automating production.

Cash flows from financing ac

Cash flows from financing activities to date have consisted of the Business Combination and the issuance of debt and

Net cash used in provided by financing activities was $442 thousand $25.6 million for the six nine months ended Jun million of $800 thousand, partially offset by proceeds from the issuance of common stock and common stock warr exercised of $122 thousand. $236 thousand, partially offset by principal payments on notes payable of $1.7 million.

Net cash used in financing activities was $3.7 million $4.2 million for the six nine months ended June 30, 2022 Sept withholding purposes of $2.8 million and principal payments on notes payable of $967 thousand. $1.5 million.

Further commercialization, development, and expansion of our business will require a significant amount of cash for including our working capital needs, the availability of equity or debt financing and, over time, our ability to generate c

Contractual Obligations and Com

Our contractual obligations and other commitments as of June 30, 2023 September 30, 2023 consist of lease commitm that serve as security for certain operating leases for office and manufacturing space, for our performance and payme on imported materials. The letter of credit related to operating leases is fully secured by restricted certificate of deposi duties due on imported materials are secured by a total of $800 thousand pledged as collateral. There were no 2023 September 30, 2023. Additionally, we are committed to non-cancellable purchase commitments of $869 $546 thou

Off-Balance Sheet Arrangem

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent inter have, a current or future material effect on our financial statements.

Critical Accounting Policies and E

As of June 30, 2023, our critical accounting policies have not materially changed from those described in the Annual *Description of Business and Basis of Presentation*, we anticipate that we will reach reached commercial viability and inventory accounting in the third quarter of 2023. Refer to Note 2, *Significant Accounting Policies*, for further full details o

Other than the addition of the inventory valuation as a result of this transition to commercial viability we will disclose changed from those described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Inventory Valuation

As of the Transition Date, inventory is stated on a first-in, first-out basis at the lower of cost or net realizable value business, less estimated costs of completion, disposal, and transportation. We periodically make judgments and estim

to its net realizable value, a new cost basis is established and such cost is not adjusted for any potential recovery or in
of future selling prices or production costs change, additional and potentially material changes write-downs may be r
policies since the end of our preceding fiscal year in the notes to the condensed consolidated reported financial statem

Emerging Growth Company St

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act and have elected to take advant
standards. We expect to continue to take advantage of the benefits of the extended transition period for as long as we
revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to
either not an emerging growth company or is an emerging growth company that has chosen not to take advanta
accounting standards used.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSU

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the

---

ITEM 4. CONTROLS AND PROCE

Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that the information required to
processed, summarized and reported within the time periods specified in SEC rules and forms and that such informa
officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and p
controls and procedures as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of t
principal executive officer and principal financial officer have concluded that the Company's disclosure controls and p
effectiveness of internal controls over the review and analysis of certain transactions within our financial statement clo

Management's Remediation Initiatives

We have taken and will continue to take steps to remediate the identified unremediated material weakness and enhan

- We have hired additional personnel and are continuing to expand our team. We are further designing and management review controls.
- We are continuing our efforts to improve and strengthen our control processes and procedures to fully rem ensure that our controls and procedures are adequate and effective.

Changes in Internal Control over Financial Reporting

Other than the actions taken as described in "Management's Remediation Initiatives" above to improve the Compa
control over financial reporting during the fiscal quarter ended June 30, 2023 September 30, 2023 that materially affe
reporting.

Part II – Other Informatio

ITEM 1. LEGAL PROCEEDING

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We
material legal proceeding threatened against us. In the future, we may become involved in legal proceedings that aris
could individually or in the aggregate have a material adverse effect on our business, financial condition and results of

ITEM 1A. RISK FACTORS

*Investing in our securities involves a high degree of risk. Before making an investment decision, you should consider carefu
Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes thereto inclu
operating results, financial condition or prospects could also be harmed by risks and uncertainties not currently known to u
operating results, financial condition and prospects could be adversely affected. In that event, the market price of our com
"our," or "us" generally refer to ESS, unless otherwise specified.*

Summary Risk Factors

Our business is subject to numerous risks and uncertainties. The following is a summary of the principal risks we face:

- We face significant barriers in our attempts to produce our energy storage products, certain of our energy sto
our energy storage products at commercial scale. If we cannot successfully overcome those barriers, our busin
- As deployment of our energy storage products increases, we will incur corresponding warranty obligations. F
may be significant. If we are unable to develop our energy storage products for successful operation do not
business and ability to generate revenue and achieve profitability could fail;
- We are in the early stage of commercialization. In addition, certain aspects of our technology have not been f
energy storage products as anticipated, we may not be able to generate significant revenues or achieve profita
- We depend on third-party suppliers for the development and supply of key raw materials and components f
storage products. Quality issues or delays in our supply chain and shipments could further harm our ability to
- We have experienced in the past and may experience delays in the future, delays, disruptions, or quality contr
- Our ability The execution of our strategy to expand depends on into new markets through strategic partnersh
various risks which could adversely affect our ability to hire, train business and retain an adequate number of
background and skills; future prospects;
- We may not be able Our contracted sales are subject to perform under our contracts or to realize the benefits
- We may be unable to adequately control the costs associated with our operations and the components neces
and effectively scale our operations in the future, our ability to become profitable may be impaired;
- We rely on complex machinery for our operations and the production of our iron flow batteries involves a sign
- Our expectations for future operating and financial results and market growth rely in large part upon assump
our actual operating results may be materially different from our anticipated results;
- We have a history of losses and have to deliver significant business growth to achieve sustained, long-term pro

---

Table of Contents

- Our warranty insurance provided by Munich Re is important to many potential customers. Should we be unab
demand for our products may suffer;
- Failure to deliver the benefits offered by our technology, or the emergence of improvements to competing tec
- Our plans are dependent on the development of market acceptance of our products;
- We may face regulatory challenges to or limitations on our ability to sell our products directly in certain marke
- If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary right
- As we endeavor to expand our business, we will incur significant costs and expenses, which could outpace ou
adversely impact business conditions and the availability of credit.

The following risk factors apply to our business and operations. These risk factors are not exhaustive, and investors
condition and prospects. We may face additional risks and uncertainties that are not presently known to us, or that w
should be read in conjunction with the condensed consolidated financial statements and notes to the condensed con

Risks Related to Our Technology, Products and Manufacturing

***We face significant barriers in our attempts to produce our energy storage products, certain of our energy storage p
energy storage products at commercial scale. If we cannot successfully overcome those barriers, our business will b***

Producing long-duration iron flow batteries that meet the requirements for wide adoption by commercial and utility
commercialization and have faced and may yet face significant challenges in completing the development of our
commercial volumes. Some of the development challenges that could prevent the introduction of our iron flow batte
cells needed for our energy storage products, (ii) installing and optimizing higher volume manufacturing equipment, (ii
vendors and subcomponents, (vi) expanding supply chain capacity, (vii) the completion of rigorous and challenging
performance, life and abuse testing and (viii) the development of the final manufacturing processes and specifications.

Our Energy Warehouses are still in the development stage. As of June 30, 2023 September 30, 2023, we have limited
batteries) and there may be significant yield, cost, performance and manufacturing process challenges to be solved p
Energy Warehouse and the Energy Center also are still under development for integration into third-party systems.
efficiency of our batteries. If we are not able to overcome these barriers in developing and producing our iron flow bat

Our second-generation energy storage products S200 batteries are manufactured on our first-generation ("Gen I") a
ensure proper assembly. We have already experienced various issues related to the scaling up of the manufacturin
production and impact our production costs and schedule. We have commissioned a new, more sophisticated, auto
delays in ramping up its use may impact our production costs and product quality. If we experience delivery or insta
lose business as well as face lawsuits seeking liquidated damages.

Even if we complete development and achieve volume production of our iron flow batteries, if the cost, performanc
product pricing and margins would likely be adversely affected.

Table of Contents

We are in the early stage of commercialization. In addition, certain aspects of our technology have not been fully energy storage products as anticipated, we may not be able to generate significant revenues or achieve profitabilit

The growth and development of our operations will depend on the successful commercialization and market accepta timely meeting customers' demands. There is no certainty that, once shipped, our products will operate over the lon our latest designs and ongoing product improvements or to perform under our contracts with customers. There products and, as a consequence, we may have inadequate production capacity to meet demand, or alternatively, hav proprietary technologies in the already-established traditional energy storage market makes it difficult to evaluate our

As of June 30, 2023 September 30, 2023, we have limited second-generation products fully deployed. We began ship continuing to commission and test units. We have experienced various quality and performance issues with units tha our inability to address these or potential new issues effectively may have cost and warranty implications and may af flow battery technology is field tested and ready for sale, there are no assurances that our proprietary technologie experienced grid compatibility and other site integration issues that are not within our control, which has required and Energy Center product is still being developed and has not been completely designed or produced. In addition, certai batteries have never been witnessed in the field. If our batteries are damaged during shipment, we may be required to we deploy our Energy Warehouse or Energy Center products with S200 batteries, we may discover further aspects of c and new sales, result in order cancellations, result in significant warranty obligations, and negatively impact the mark warranty claims, or if we fail to develop and install our energy storage products in accordance with contract specifi addition, there is no assurance that if we alter or change our energy storage products in the future, that the demand fo If our energy storage products are not deemed desirable and suitable for purchase and we are unable to establish a cu

We depend on third-party suppliers for the development and supply of key raw materials and components for o storage products. Quality issues or delays in our supply chain and shipments could further harm our ability to man

We depend on third-party suppliers for the development and supply of key raw materials and components for our e end plates and separators), shipping containers, chemicals and electronic components. We will need to maintain an various raw materials and components to construct our energy storage products, including polypropylene, iron and p suppliers for injected molded parts and power electronics which undergo a qualification process that takes four to twe

The cost of components for our iron flow batteries, whether manufactured by our suppliers or by us, depends in part in costs for a wide range of materials and components and such increases may continue, particularly if the high rate chain disruptions and access to materials have impacted and continue to impact our vendors and suppliers' ability to disruptions to key supply chains, shipping times, shipping availability, manufacturing times, and increases in associate have experienced and continue to experience delays to deliveries, vendor quality issues, as well as increases in electronics, circuit board components and shipping containers. We expect such delays and cost increases to continu may reinstate 'zero COVID' policies, imposing lock downs that have adversely affected and may continue to adversely the delivery and installation of our semiautomated semi-automated production line that was delivered in the second c

Table of Contents

automated production line that was made operational in the fourth quarter of 2022 due to similar supply chain i additional manufacturing automation equipment that we require, they may further delay our ability to produce our p products (see also "*Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*–

We expect prices for these materials to continue to increase in the near term and then to fluctuate over time. Availa global demand for these materials, including as a result of increased global production of batteries and energy storage not only include precious and non-precious metals but also carbon, graphite and thermoplastics, the prices of which h we have no control. We have also experienced increased prices and/or inconsistent quality and supply of other separators. Any reduced availability of these materials may impact our access to cells and any further increases in increased prices for our products. In addition, we utilize shipping containers to house our iron flow batteries within weather and COVID-19 pandemic effects created a shortage in shipping containers and other supply chain delays i disruptions and increased shipping container costs. Given that our energy storage products rely Energy Warehouse profitability if we are not able to pass the increased costs to our customers. Moreover, any such attempts to incre prospects and operating results.

In addition, global conflicts such as the conflict between Russia and Ukraine has and recent conflict in the Middle East and may also lead to further disruptions, particularly if the conflict were to escalate further, that could negatively impa already imposed severe sanctions and export controls against Russia and Russian interests and may yet impose addi to them by Russia, is currently unknown and they could adversely affect our business, supply chain, partners or custo

We depend on third-party vendors for the shipping of our energy storage products. Recent conditions have also crea products. Given current conditions, the shipping of our products to customers internationally in a timely, cost-effect challenging. The failure to deliver our products in a timely fashion or within budget may also harm our brand, prospect

We do not know whether we will be able to maintain long-term supply relationships with our critical suppliers, objectives, if at all.

We continually evaluate new suppliers, and we are currently qualifying several new suppliers. However, there are a lim date, fully qualified only a very limited number of such suppliers. Therefore, we have limited flexibility in changing su power module components. We do not know whether we will be able to maintain long-term supply relationships with us to achieve our objectives, if at all. A supplier's failure to develop and supply components in a timely manner, to specifications, to support our warranty claims, or our inability to obtain alternative sources of these components on a commercialize our energy storage products. In addition, to the extent the processes that our suppliers use to manuf from alternative suppliers, all of which could harm our business, financial condition and results of operations.

In the long term, we intend to supplement certain components from our suppliers by manufacturing them ourselve effective than currently available components. However, our efforts to develop and manufacture such components h we will be able to accomplish this in the timeframes that we have planned or at all. If we are unable to do so, we ma additional raw materials and components from suppliers at potentially greater costs, either of which may harm our bu

---

Table of Contents

We have experienced in the past, and may experience in the future, delays, disruptions, or quality control problem

Our manufacturing and testing processes require significant technological and production process expertise and mod issues related to the scaling up of the manufacturing process and while we seek to prevent the reoccurrence of such i any change in our processes could cause one or more production errors, requiring a temporary suspension or delay i and rectified. This may occur particularly as we introduce new products, modify our engineering and production tech assurance processes could result in increased product failures, loss of customers, increased warranty reserves, incre current and potential customers cancelling or postponing their purchases of our products, which could have a materia

We may be unable to adequately control the costs associated with our operations and the components necessar and effectively scale our operations in the future, our ability to become profitable may be impaired.

Our ability to become profitable in the future will not only depend on our ability to successfully market our iron flow our iron flow batteries, Energy Centers, and Energy Warehouses. If we are unsuccessful in our cost-reduction plans o result of these design changes, we could incur significant manufacturing and re-engineering costs. In addition, we w significant expenses, including those relating to research and development, raw material procurement, leases, sa administrative costs as we scale our operations. If we are unable to cost-efficiently design, manufacture, market, sell be materially and adversely affected.

In addition, our Proton Pump is manufactured with certain raw materials, such as platinum, the prices of which have have no control. Substantial increases in the prices of raw materials would increase our operating costs and could ad recently been subject to sustained cost pressure given current geopolitical events, which in turn may affect the cos increased costs to our customers, this could have a material adverse effect on our business, financial condition and re

In order to achieve our business plan and reach profitability, we must continue to increase the number of units sol Centers and Energy Warehouses, as at current volumes, production costs for our units significantly exceed their sellin projections regarding cost reductions that assume continued advances in our manufacturing and services processes has been increasing and could continue to increase in the future, offsetting any successes in reducing our manufact operational metrics to suffer. In addition, we may face increases in our other expenses including increases in wages or into new markets (especially markets in which the price of electricity from the grid is lower), we will need to continue reductions could adversely affect our results of operations and financial condition and harm our business and pros achieve profitability, which could have a material adverse effect on our business and our prospects.

Further, we have not yet produced iron flow batteries, Energy Warehouses or Energy Centers at volume and ou conventional lithium-ion cells, will require us to achieve rates of throughput, use of electricity and consumables, manufacturing processes, that we have not yet achieved. If we are unable to achieve these targeted rates, our busines

In addition, customers may also have specific site requirements and interface technology or experience delays in prep to cause, delays with respect to delivery and installation and potentially our ability to recognize revenue.

Table of Contents

We rely on complex machinery for our operations and the production of our iron flow batteries involves a significa

We rely heavily on complex machinery for our operations and the production of our iron flow batteries, and this equip The work required to integrate this equipment into the production of our iron flow batteries is time intensive and requ unique iron flow battery technology. This integration work will involve a significant degree of uncertainty and risk and flow batteries.

Our manufacturing facilities utilize large-scale machinery, particularly for the automated production line. Such machine spare parts to resume operations, which may not be available when needed. Unexpected malfunctions of our produ examples would be inadequate bonding of the battery cells resulting in overboard or internal leakage, damage to the never been used to build iron flow batteries, the operational performance and costs associated with this equipment but not limited to, failures by suppliers to deliver necessary components of our energy storage products in a timely m difficulty or delays in obtaining governmental permits, damages or defects in systems, industrial accidents, fires, seism

Operational problems with our manufacturing equipment could result in the personal injury to or death of worker delays and unanticipated fluctuations in production. In addition, operational problems may result in environmental these operational problems could have a material adverse effect on our business, cash flows, financial condition or res

Our future success depends in part on our ability to increase our production capacity, and we may not be able constructing one or more new manufacturing facilities, we may encounter challenges relating to the construction, r

In order to grow our business, we will need to increase our production capacity. For example, our current manufac currently seeking to expand our capacity. Our ability to plan, construct and equip additional manufacturing facilities is

- The expansion or construction of any manufacturing facilities will be subject to the risks inherent in the deve result of factors outside our control, which may include delays in government approvals, burdensome permi subsystems that we manufacture or obtain from suppliers, similar to or more severe than what we have exper
- In order for us to expand internationally, we anticipate entering into strategic partnerships, joint venture and States. Adding manufacturing capacity in any international location will subject us to new laws and regulation In addition, any such expansion brings with it the risk of managing larger scale foreign operations.
- We may be unable to achieve the production throughput necessary to achieve our target annualized producti
- Manufacturing equipment may take longer and cost more to engineer and build than expected and may not c
- We may depend on third-party relationships in the development and operation of additional production capa us under our arrangements with them.
- We may be unable to attract or retain qualified personnel.

If we are unable to expand our manufacturing facilities, we may be unable to further scale our business, which would assurances that we would be able to successfully establish or operate an additional manufacturing facility in a timely o

Table of Contents

any expected budget for such a project. The construction of any such facility would require significant capital exp manufacturing operations to any such new facility in a cost-efficient and timely manner, then we may experience d Further, if the demand for our products decreases or if we do not produce the expected output after any such new f over the production volume, thereby increasing our per product fixed cost, which would have a negative impact on ou

In addition, if any of our partners suffer from capacity constraints, deployment delays, work stoppages or any other r lost revenue and deployment delays that could harm our business and customer relationships. If the demand for o decreases or does not rise as expected, we may not be able to spread a significant amount of our fixed costs over th have a negative impact on our financial condition and our results of operations.

Our ability to expand our manufacturing capacity would also greatly depend on our ability to hire, train and ret appropriate level of knowledge, background and skills. Should we be unable to hire, train, or retain such employees, ou

We have in the past and may be compelled in the future to undertake product recalls or take other actions, which c condition.

We have in the past and may be compelled in the future to undertake product recalls. For example, in the past, we ha to our specifications and we have also had to replace, and continue to expect to replace, certain components of our G module failures or can result in a cascade of numerous failures. Failures in the field can result in a single module rep remainder of the system.

Any product recall in the future may result in adverse publicity, damage our reputation and adversely affect our bu
involuntarily, initiate a recall if any of our Energy Warehouses, Energy Centers, iron flow batteries, Proton Pump or c
recalls, whether caused by systems or components engineered or manufactured by us or our suppliers, would involv
could adversely affect our brand image in our target market and our business, financial condition and results of operat

If required maintenance is performed incorrectly or if maintenance requirements exceed our current expectations results of operations.

Our energy storage products require periodic maintenance, such as the cleaning or replacement of air filters, inspectio
These maintenance items are typically scheduled on a quarterly basis but may vary depending on how the customer
with us or that perform maintenance that is not covered by such agreements to follow our product operations and
maintain or perform any required maintenance incorrectly, this may damage or adversely affect the performance
business, financial condition and results of operations. Furthermore, there is risk of harm to persons or property if inc
Any such injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity cou
operations.

In addition, for customers that have purchased maintenance services from us, unforeseen issues may arise that may
maintenance on a large scale and since our existing and potential customers are geographically dispersed, if any recurr

---

Table of Contents

Our relationship with related parties, SBE, an affiliate of SoftBank Group Corp., and UOP is subject to various risks that we will be able to commercialize iron flow batteries from our joint development relationship with SBE. such pa products from us under the framework agreement, agreements with such business partners, including at any price p

In April 2021, we signed a framework agreement with SBE to supply our energy storage products to SBE in support o
SBE's potential need for our energy storage products and are obligated to reserve a certain percentage of our man
anticipated orders, which may negate those capacity reservations if no firm demand is realized. However, SBE is under
be subject to future pricing or other commercial or technical negotiations, which we may not be able to satisfy, resul
placed under the framework agreement.

On September 21, 2023, we signed a Supply Agreement with UOP, pursuant to which UOP may purchase equipment
UOP, consisting of (i) an initial Performance Warrant to issue up to 775,760 shares of common stock, issued on Sept
million, and (ii) additional Performance Warrants (not to exceed an aggregate value of $15 million based on target pu
year period beginning in 2026, based on UOP's purchase of additional equipment after execution of the Supply A
Agreement, pursuant to which we and UOP have agreed to work together to collaborate and engage in certain resea
License Agreement, pursuant to which UOP will license certain patent rights to us. However, Honeywell is under no ob
may be subject to future pricing or other commercial or technical negotiations, which we may not be able to satis
Honeywell may not be able to agree on activities and endeavors to pursue under the Joint Development Agreem
Agreement may have limited value to us.

SBE, UOP, and any other business partners in the future, may have economic, business or legal interests or goals th
business partners may impede our ability to maximize the benefits of these partnerships and slow the commercializat
among other things, to pay certain costs or to make certain capital investments or to seek their consent to take cer
sourcing, development, or other obligations under our partnership arrangements, we may be required to fulfill those c
financial results.

The execution of our strategy to expand into new markets through strategic partnerships, joint ventures and licens adversely affect our business and future prospects.

We may enter into strategic partnerships, joint ventures and licensing arrangements to expand our business and ente
such arrangements as contemplated to commercialize our energy storage products. There is also no assurance that w
strategic partnerships, joint ventures and licensing arrangements and there is always a risk that either party ma
arrangement, as applicable. The occurrence of any such risks may result in diminished potential value of these type
Storage Industries Asia Pacific ("ESI") in August 2022 and into a framework agreement with SMUD in September 2022.
systems to ESI in 2022 and early 2023 and expect to continue deliveries in 2023 and 2024 to fulfill their orders. ESI is ex
final assembly of our systems from 2025 onward; however, ESI may be delayed or unable to complete construction c
whether due to funding constraints or other reasons, which may require ESS to find alternative arrangements to add
facilities. We made the first delivery of our systems to SMUD during the second quarter of 2023, but SMUD is under no

---

Table of Contents

Any future strategic partnerships, joint ventures or licensing arrangements may require us, among other things, to p
certain actions. In addition, if a partner is unable or unwilling to meet its economic or other obligations under the res
the ongoing success of, or to dissolve and liquidate, the partnership, joint venture or licensing arrangement. These fact

Risks Related to Our Business and Industry

Our expectations for future operating and financial results and market growth rely in large part upon assumptio
our actual operating results may be materially different from our anticipated results.

We operate in rapidly changing and competitive markets and our expectations for future performance are subject to
results are difficult to predict because they generally depend on our assessment of the timing of adoption of o
performance are also subject to significant economic, competitive, industry and other uncertainties and contingen
control, and subsequent developments may affect such expectations. As discussed elsewhere in this Quarterly Report

Table of Contents

Form 10-Q, any future sales and related future cash flows may not be realized in full or at all. Furthermore, our plan
storage products may never be realized or achieve commercial success, whether because of lack of market adoption o
the actual results and cause our operating and financial results and market growth expectations to not be achieved in
environment, general business and economic conditions and other factors described under the section entitled "*Cauti*

In addition, expectations for future performance also reflect assumptions that are subject to change and do not reflec
any other transaction or event that has occurred or that may occur and that was not previously anticipated. In additio
There can be no assurance that our future financial condition or results of operations will be consistent with our exp
cause the market price of our common stock to decline. If actual results differ materially from our expectations, we r
adverse effect on our financial condition and results of operations.

We have a history of losses and have to deliver significant business growth to achieve sustained, long-term profita

We have had net losses on a U.S. GAAP basis in each fiscal year since our inception. For the six nine months ended J
million $680.0 million in accumulated deficit as of June 30, 2023 September 30, 2023. In order to achieve profitability as
business, which will require us to deliver on our existing global sales pipeline in a timely manner, increase our produc
demand for our products, and seize new market opportunities by leveraging our proprietary technology and our ma
these things could prevent us from achieving sustained, long-term profitability.

As we transition from our research and development phase and into a full commercial phase, we expect, based on o
number of reasons, many of which are outside of our control, including a decline in global demand for iron flow batter
opportunities. If we are not able to generate and grow revenue and raise the capital necessary to support our operatio

Our energy storage products are still under development, and there There is no assurance nonbinding pre-order
completed.

Our business model is focused on building relationships with large customers. To date, we have engaged in limit
Our Certain of our energy storage products are still subject to ongoing development design evolution and until the
commercially available for purchase, stabilizes, and until we are able to scale up our marketing function to support
Demand for our energy storage products by independent energy developers may depend upon a bankability determi

Table of Contents

difficult to obtain. The potentially long wait from the time an order is made until the time our energy storage products
on whether to ultimately make a purchase. There is no assurance that nonbinding pre-orders or framework agreer
orders, customers may limit their volume of purchases initially as they assess our products and whether to make a bro
on the safety, reliability, efficiency and quality of our energy storage products, as well as the support and service th
conditions and site capacity, that could impact customer buying decisions. As a result, there is significant uncertainty
we will be able to achieve.

In addition, some of the Energy Warehouse units we have shipped to date have not met the specifications set forth i
order to receive customer acceptance of such units. If we are unable to meet contractual performance specifications o
which would adversely affect our business, financial condition and results of operations.

Table of Contents

Our warranty insurance provided by Munich Re is important to many potential customers. Should we be unable to demand for our products may suffer.

Our business is substantially dependent on our relationship with Munich Re. Our warranty insurance provided by Mur product not widely offered by multiple insurers. There is no assurance that we will be able to maintain our relationshi manner that is adverse to the company, Company, our business would be materially adversely affected. Similarly, if we Re is modified so that the economic terms become less favorable to us, we may be unable to find a similar replacemen

Failure to deliver the benefits offered by our technology, or the emergence of improvements to competing technolo

We believe that, compared to lithium-ion batteries, our energy storage solutions offer significant benefits, inclu substantially recyclable at end-of-life, having an approximate 25-year product design life, and having a wide thermal where otherwise required by applicable law), ventilation and air conditioning equipment, which would otherwise be re

However, if our manufacturing costs increase, or if our or our customers' expectations regarding the operation, perfor could have difficulty marketing our energy storage products as a superior alternative to already-established technolo products.

We also currently market our energy storage products as having superior design cyclability to other energy storage so multiple cycles over their lifetime without experiencing degradation in storage capacity and, in particular, earlier itera reliably in the past. All of our first-generation units (except for two where one, with the prototype trials continue) or been returned to us and so the continuing risk of product failure on our first-generation units is limited. However, the future if our technology does not operate as expected. If our technology is inadequate or our energy storage solution and potential customers may choose to cancel or postpone orders or seek alternative solutions for their energy st operations.

In addition, developments of existing and new technologies could improve the cost and usability profile of such alter products, which would negatively impact the likelihood of our energy storage products gaining market acceptance.

Our plans are dependent on the development of market acceptance of our products.

Our plans are dependent upon market acceptance of our products. Iron flow batteries represent an emerging ma replacement for traditional power sources. In particular, traditional lithium-ion batteries, which are already produced c

- 38 -

Table of Contents

acceptance, offer higher power density and round-trip efficiency than our iron flow batteries. If customers were to pla numerous other advantages of our technology, then we could have difficulty positioning our iron flow batteries as a vi

As is typical in a rapidly evolving industry, demand and market acceptance for recently introduced products and serv the size of the energy storage market and its growth rate. The development of a market for our products may be affec

- the cost competitiveness of our products including availability and output expectations and total cost of owne
- the future costs associated with renewable energies;
- perceived complexity and novelty of our technology and customer reluctance to try a new product;
- the market for energy storage solutions and government policies that affect those markets;

- 35 -

Table of Contents

- government incentives, mandates or other programs favoring zero carbon energy sources;
- local permitting and environmental requirements;
- customer preference for lithium-ion based technologies, including but not limited to the power density offerec
- the emergence of newer, more competitive technologies and products.

If a sufficient market fails to develop or develops more slowly than we anticipate, we may be unable to recover the lo profitability.

Our future growth and success depend on our ability to sell effectively to large customers.

Many of our potential customers are electric utilities, and C&I businesses that tend to be large enterprises. Therefore, such large customers. Sales to these end-customers involve risks that may not be present (or that are present to a l

increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us ar
spent on a potential end customer that elects not to purchase our solutions.

Large organizations often undertake a significant evaluation process that results in a lengthy sales cycle. In additio
multiple approvals and unanticipated administrative, processing and other delays. Finally, large organizations typical
require a broader range of services, demand that vendors take on a larger share of risks and expect greater payment f
customers.

We operate in highly competitive energy industries and there is increasing competition. Many of our competitors a other resources than we do and if we do not compete effectively, our competitive positioning and our operating res

The energy storage markets in which we intend to compete continue to evolve and are highly competitive. Many
development and commercialization than we are and, in some cases, have substantially greater financial, marketing, p
different energy storage technologies such as lithium-ion batteries, lithium metal batteries, vanadium or zinc bromine
hydropower. If our competitors continue to penetrate the energy storage market, our prospects for gaining market sh

We expect competition in energy storage technology to intensify due to a regulatory push for lower-carbon energy s
consolidation in the energy industry. Developments in alternative technologies or improvements in energy storage te
margins of our products.

Some of our current and potential competitors have longer operating histories and greater financial, technical, marke
more quickly or efficiently than we can to new or emerging technologies. These competitors may engage in more exter

- 39 -

Table of Contents

undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them

Our project awards and sales pipeline may not convert to contracts, which may have a material adverse effect on o

We expect a significant portion of the business that we will seek in the foreseeable future will be awarded through
generation. The competitive bidding process involves substantial costs and a number of risks, including the significa
awarded to us and our failure to accurately estimate the resources and costs that will be required to fulfill any contr
delay or contract modifications or award revocation as a result of our competitors protesting or challenging co
procurement environment could adversely affect our revenue and/or profitability.

Some of the project awards we receive and orders we accept from customers require certain conditions or continger
some of which are outside of our

- 36 -

Table of Contents

control. Certain awards are cancellable or revocable at any time prior to contract execution. The time periods from rec
widely and are determined by a number of factors, including the terms of the award, governmental policies or reg
customer's site requirements. These same or similar conditions and contingencies may be required by financiers in or
satisfied, or changes in laws affecting project awards occur, or awards are revoked or cancelled, project awards may
adverse impact on our revenue and cash flow and our ability to complete construction of a project.

We also bear the risk of non-payment or late payments by our customers. In the near term, we will depend on a relati
fail to pay us, cash flow from operations are impacted and our operating results and financial condition could be harm
product(s) could be expensive and it may take time to find a replacement customer to whom our product(s) could be

Our contracted sales are subject to the risk of termination by the contracting party.

The majority of our commercial contracts contain provisions which allow the customer to terminate an agreement if ce
other defaults, or for extended force majeure. Our customers are also subject to force majeure events and may issue
simply for convenience. Our older contracts in particular may contain terms or performance obligations with which
optimal for our technology. We have experienced in the past, and may experience in the future, order cancellations o
potential and market reputation, which would have an even greater impact on our ability to achieve future sales.

We may not be able to accurately estimate the future supply and demand for our products and services, which co revenue. If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experie

We are a company with a limited operating history. As we continue the transition from research and development ac
appropriately budget for our expenses, and we may have limited insight into trends that may emerge and affect our b
and future suppliers prior to the scheduled delivery of products to potential customers. Currently, there is limited h
ability to develop, manufacture, and deliver iron flow batteries, or our profitability in the future. If we overestimate o

our costs. If we underestimate our manufacturing requirements, our suppliers may have inadequate inventory or capa
and revenues. In addition, lead times for materials and components that our suppliers order may vary significantly
component at a given time. If we fail to order sufficient quantities of product components in a timely manner, the
business, financial condition and results of operations.

- 40 -

Table of Contents

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of

We have experienced significant growth in customer contracts in recent periods and intend to continue to expand o
future growth may place, a significant strain on management, operational, and financial infrastructure. In particular, v
otherwise improve our information technology ("IT") infrastructure in tandem with that headcount growth. Mana
suppliers, and other third parties and attract new customers and suppliers, as well as manage multiple geographic loca

Our current and planned operations, personnel, customer support, IT, information systems, and other systems and
additional unanticipated investment in our infrastructure. Our success and ability to scale our business will depend, in
cannot manage our growth, then we may be unable to take advantage of market opportunities, execute our business
or customer satisfaction, increased costs, difficulties in introducing new offerings, or other operational difficulties. Any

- 37 -

Table of Contents

We have signed product sales contracts and have entered into service agreements with customers. If we do not me
of our energy storage products are inaccurate, our business and financial results could be adversely affected.

We have entered into service agreements with certain customers for our energy storage products with terms of up
monitor, and repair our energy storage products to meet minimum operating levels. While we have conducted tests t
energy storage products over their projected useful life or in all potential conditions prior to large scale commerciali
expected useful life or perform as anticipated in all conditions, which could result in warranty claims, performance p
negative perception of our energy storage products.

Further, the occurrence of chronic defects or other chronic performance problems with respect to our deployed ene
service agreement claims, or diversion of our resources, including through increased service and warranty expenses o
material defects in our deployed energy storage products may be substantial and could adversely affect our business,

Failure to adhere to contractual support warranty and services obligations may adversely affect our relationships
operations.

Our customers depend on our support organization to resolve performance issues relating to our energy storage pro
do not maintain high-quality and highly responsive customer support, could adversely affect our reputation, our a
business, financial condition and results of operations.

Our ability to proceed with projects under development and complete construction of projects on schedule and wit
as market conditions that may affect our operating results.

Our ability to proceed with projects under development and complete construction of projects on schedule and wit
components, tariffs, labor and regulatory compliance, inability to obtain necessary permits, interconnections or othe
project or construction is not completed, is delayed or is subject to cost overruns, we could become obligated to mak
experience diminished returns or write off all or a portion of our capitalized costs in the project. Each of these events
We currently face and will continue to face significant competition, including from products using other energy sources

We compete on the basis of our energy storage products' reliability, efficiency, environmental sustainability and cost.
other sources of power generation, or new battery technologies or market entrants may negatively affect the devel
products less economically attractive, non-competitive or obsolete

- 41 -

Table of Contents

prior to or after commercialization. Significant decreases in the price of alternative technologies, or significant increa
material adverse effect on our business because other generation sources could be more economically attractive to co

We invest significantly in research and development, and to the extent our research and development investmen and technologies, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our research and development efforts to enhance the featur additional applications that will broaden the appeal of our products and technologies and facilitate their broad use. R of the nature of research and development cycles, there will be delays between the time we incur expenses associat enhancements to our products and technologies and generate revenue, if any, from those activities. If we expend a si successful introduction of new products, functionality or improvements that are competitive in our current or future r

---

Table of Contents

The loss of one or more members of our senior management team and other key personnel or our failure to attr achieve our anticipated level of growth.

We depend on the continued services of our senior management team and other key personnel, each of whom w transition to their successors, could have a material adverse effect on our business and our ability to implement c terminate their employment relationships with us at any time. Any changes to our senior management team, includin operating performance, while these operational areas are in transition.

Additionally, our ability to attract qualified personnel, including senior management and key technical personnel, is cri qualified senior management personnel and highly skilled individuals with technical expertise, is extremely intense. W personnel in all areas of our business, and we can provide no assurance that we will find suitable successors as tran particular, could prove disruptive to our operations, require substantial resources and management attention, and ul of our business, including senior management and other key technical personnel, could limit or delay our strategic e results of operations.

Our results of operations may fluctuate from quarter to quarter, which could make our future performance difficul expectations, resulting in a decline in the price of our common stock.

Our products take many months to manufacture and prepare for delivery and any revenue in future periods may flu may have multiple deliverables and performance obligations and the amount and timing of recognizing revenue fluctuate. Our revenues also depend on a number of other factors, some of which are beyond our control, including *Manufacturing—We depend on third-party suppliers for the development and supply of key raw materials and componen storage products. Continued delays in our supply chain and shipments could further harm our ability to manufacture and* are difficult to predict and may fluctuate significantly in the future.

We will initially depend on revenue generated from a single product currently and in the foreseeable future will be s

We will initially depend on revenue generated initially from our Energy Warehouses and later on, our Energy Centers significantly dependent on a limited number of products. revenue generated from our Energy Warehouses, Energy depend on a limited number of products, to the extent our products are not well-received by the market, our sale adversely affected.

Table of Contents

Our cost reduction strategy may not succeed or may be significantly delayed, which may result in our inability to ac

Our ability to successfully implement our overall business strategy relies on our ability to reduce development and r that increases in production will result in economies of scale. In addition, our cost reduction strategy relies on adva reducing the cost of capital and technology improvements (including stack life and projected power output). Its succe control, including the impact of inflation and the timely delivery of key supplies at reasonable prices. For examp expectations. There is no assurance that our cost reduction strategy will be successful and failure to achieve our cost and results of operations.

Our planned expansion into new geographic markets or new product lines or services could subject us to additiona

We have entered into contracts and other agreements to sell our products in a number of different geographic marke have in the past, and may in the future, evaluate opportunities to expand into new geographic markets and introduce

---

that are a natural extension of our existing business. We also may from time to time engage in acquisitions of business
attractive markets, expand our technological capabilities, or provide synergy opportunities.

Our success operating in these new geographic or product markets, or in operating any acquired business, will d
requirements of the electric utility industry and other applicable regulatory bodies, renewable energy project dev
products, our ability to manage increased manufacturing capacity and production, and our ability to identify and integ

Further, any additional markets that we may enter could have different characteristics from the markets in which we c
differences. These differences may include regulatory requirements, including tax laws, trade laws, foreign direct inv
trade restrictions, limited or unfavorable intellectual property protection, international, political or economic conditi
product return policies and cost, performance and compatibility requirements. In addition, expanding into new ge
fluctuations in the value of foreign currencies and difficulties and increased expenses in complying with United States
Act of 1977, as amended (the "FCPA").

Failure to develop and introduce new products successfully into the market, to successfully integrate acquired bu
expansion into new product and geographic markets, could adversely affect our revenues and our ability to sustain pr

Our business and operations may be adversely affected by outbreaks of contagious diseases and other adverse pul

Any outbreaks of contagious diseases such as the COVID-19 pandemic and other adverse public health developments
on our business, financial condition and results of operations. These effects have in the past and could in the fut
customers, suppliers, or other vendors in our supply chain. The extent to which such a pandemic would impact our
uncertain and cannot be predicted. Such factors may include the geographic spread of the pandemic, the severity o
treatment methods are developed, the actions that may be taken by various governmental authorities in respons
imposed by various states within the United States, and the impact on the U.S. or global economy. These and oth
financial position.

We have identified material weaknesses in our internal control over financial reporting, and may identify additi obligations or result in material misstatements of our financial statements. If we fail to remediate any materi financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarl
financial and other information in our quarterly and annual reports and to provide an annual management report
Procedures"). When evaluating our internal control over financial reporting, we may identify material weaknesses tha
with the requirements of Section 404. If we are unable to identify and remediate material weaknesses, it could result
prevented or detected on a timely basis or result in delayed filings of required periodic reports. If we are unable t
confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be
the SEC, or other regulatory authorities, which could require additional financial and management resources (see a
control over financial reporting.").

In connection with the audits of the financial statements of Legacy ESS for the years ending December 31, 2019 and 2
identified in the operation effectiveness of controls over (1) the identification and review of technical issues associated

development, raw materials purchase commitments and equity process which resulted in adjustments to restate the
transactions within Legacy ESS' financial statement close process. A material weakness is a deficiency, or a combinatio
possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis

In addition, in preparing STWO's unaudited condensed consolidated financial statements as of and for the quarterl
interpretation and accounting for certain complex features of the Class A ordinary shares and warrants issued by S
restatement of STWO's balance sheet as of September 21, 2020, its annual financial statements for the period ended D
2020, March 31, 2021 and June 30, 2021.

Management has concluded that these material weaknesses in Legacy ESS' internal control over financial reportin
resources and did not have the necessary business processes and related internal controls formally designed and imp

and technical expertise to oversee our business processes and controls. Management has concluded that the m
identifying and appropriately applying complex accounting standards and requirements relating to equity and warran

We determined that we remediated the material weakness for Legacy ESS related to the identification and review
commitments and equity processes which resulted in adjustments to restate the 2019 financial statements and correc
31, 2021. The second material weakness for Legacy ESS related to the operating effectiveness of controls over the
remained unremediated as of December 31, 2021 and 2022. Therefore, our principal executive officer and principal fin
not effective as of December 31, 2021 and 2022.

We are implementing measures designed to strengthen our accounting function and improve our internal contro
implementing new controls, processes and technologies to improve our internal control over financial reporting; (ii) fo
reviews by management; and (iii) hiring additional qualified finance and accounting professionals to accommodate the

While we are working to remediate the material weakness as quickly and efficiently as possible, we cannot at this time
to remediate the material weakness. These remediation measures may be time consuming, costly, and might place
assurances that the measures that we have taken and are planning to take will be sufficient to successfully remediate
also cannot provide assurance that we have identified all existing material weaknesses.

Although we review and evaluate our internal control systems on a regular basis, we cannot provide any assurances t
future material weaknesses and control

Table of Contents

deficiencies from occurring. We also cannot assure you that we have identified all of our existing material weaknesses
effective system of internal controls, we may not be able to accurately or timely report our financial condition or result

We may face litigation and other risks as a result of material weaknesses in our internal control over financial repo

On April 12, 2021, the staff of the SEC issued a public statement entitled "Staff Statement on Accounting and Reportin
Staff Statement"). Following the issuance of the SEC Staff Statement, after consultation with Marcum LLP ("Marcu
committee of our board of directors (the "Audit Committee") concluded that it was appropriate to restate the previou
from STWO's inception through December 31, 2020.

In preparing STWO's unaudited condensed consolidated financial statements as of and for the quarterly period en
accounting classification of its outstanding Class A ordinary shares, par value $0.0001 per share (the "STWO Public Shar

Table of Contents

sold in STWO's initial public offering on September 21, 2020. Historically, a portion of the STWO Public Shares was cla
million on the basis that STWO would not redeem the STWO Public Shares in an amount that would cause its net tan
association (the "Charter"). Pursuant to such reevaluation, management determined that the STWO Public Shares in
equity regardless of the net tangible assets redemption limitation contained in the Charter. In addition, in connecti
restate STWO's earnings per share calculation to allocate income and losses shared pro rata between the two clas
outcome, in which case, both classes of shares share pro rata in the income and losses of STWO.

Therefore, on November 22, 2021, management and the Audit Committee concluded that STWO's previously issued (
Report on Form 10-K, as amended, for the fiscal year ended December 31, 2020, filed with the SEC on May 13, 2021 (th
K/A No. 1; (iii) unaudited interim financial statements included in the Form 10-Q for the quarterly period ended Septe
financial statements included in STWO's Quarterly Report on Form 10-Q for the quarterly period ended March 31,
included in STWO's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021, filed with the SEC on
Public Shares as temporary equity and should no longer be relied upon.

As such, we restated STWO's financial statements for the Affected Periods in our second amended annual report on F
Form 10-Q/A for the period ended March 31, 2021 and our first amended quarterly report on Form 10-Q/A for the p
Report on Form 10-Q for the quarterly period ended September 30, 2021, filed with the SEC on November 22, 2021.

As part of the restatements, we identified material weaknesses in our internal controls over financial reporting. As a
warrants, the reclassification of STWO Public Shares, and other matters raised or that may in the future be raised by t
claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatements a
of our financial statements. As of the filing date of this Quarterly Report on Form 10-Q, we have no knowledge of an
dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could have a material adve

As deployment of our energy storage products increases, we will undertake corresponding warranty obligations a
storage products for successful operation do not operate successfully in the field and or if we

Table of Contents

are unable to manage our warranty costs, our business and ability to generate revenue and achieve profitability co

We have experienced quality issues in the field and our products may contain undetected errors or defects, especially poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, performance in our products could result in the replacement or recall of our products, shipment delays, rejection of ou from our product development efforts, and increases in customer service and support costs, all of which could have a

Furthermore, defective components may give rise to warranty, indemnity, or product liability claims against us that e comes with an initial one-year manufacturing warranty, based on the use case of the customer and normal system de warranty at an additional cost to the customer. For extended warranties, this may require system augmentation or b the extended warranty paid by such customer.

While we have accrued reserves for warranty claims, our estimated warranty costs for previously sold products may under warranty. Our warranty accruals are based on various assumptions, which are based on a short operating his performance of our systems, causing us to incur substantial unanticipated expense expenses to

Table of Contents

repair or replace defective products in the future or to compensate customers for defective products. Our failure to a adverse effect on, our financial condition.

We may offer product warranties for our energy storage products, which products are complex and could contain and market adoption of our energy storage products, affect our operating results or result in claims against us.

We develop complex and evolving energy storage products and we continue to advance the capabilities of our batter products are designed primarily to serve the behind-the-meter and front-of-the-meter markets. Our core technolo customers.

We currently provide an insurance-backed warranty on our energy storage products. We also currently provide c installation, operations and maintenance, and for components not manufactured by us, we generally pass through system contracts, we may provide the customer with performance guarantees that warrant that the underlying syste Under these performance guarantees, we bear the risk of electricity production or other performance shortfalls, ever exacerbated in the event such manufacturers cease operations or fail to honor their warranties.

We are still gaining field operating experience with respect to our energy storage products, and despite experience gai our suppliers, issues may continue to be found in existing or new energy storage products. The occurrence of such is costs in excess of our estimates, could divert the attention of our engineering personnel from our product developme seek and obtain damages from us for their losses.

Defects or performance problems in our products could result in loss of customers, reputational damage, and dec may arise from defective products.

We may become subject to product liability claims, even those without merit due to product tampering or operation a condition and results of operations. We face inherent risk of exposure to claims in the event our batteries do not per are particularly pronounced given our S200 batteries have not yet been commercially tested at scale or mass produce unsuccessful, would likely be time consuming, could be costly to defend, and may hurt our reputation in the marke monetary award. Moreover, a product liability claim could generate substantial negative publicity about our batteries which would have a material adverse effect on

Table of Contents

our brand, business, prospects and operating results. Any insurance coverage might not be sufficient to cover all po excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business a coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we do face liability for c

In addition, as we grow our manufacturing volume, the chance of manufacturing defects could increase. We may be
products in which they are incorporated, including the Energy Warehouse and Energy Center, in a manner satisfactor
and our business reputation.

Third parties might attempt to gain unauthorized access to our network or seek to compromise our products and se

Our business is dependent on the security and efficacy of our networks and computer and data management system
our centralized remote monitoring service, and we rely on our internal computer networks for many of the systems w
to gain unauthorized access through the Internet or otherwise or to introduce malicious software to our IT syster
attackers who attempt to:

- gain access to our network or Energy Warehouses or networks of our customers;

Table of Contents

- steal proprietary information related to our business, products, employees, and customers; or
- interrupt our systems or those of our customers.

From time to time, we encounter attempts at gaining unauthorized access to our network and we routinely run se
against our network and products of which we become aware, and to prevent their recurrence where practicable thro
potentially vulnerable to additional known or unknown threats. In addition to intentional security breaches, the integr
compromised as a result of human error, product defects, or technological failures. Different geographic markets may
utilize third-party contractors to perform certain functions for us, and they face security risks similar to us. Further, r
could disrupt the economy more generally or that could also impact our operations directly or indirectly.

Any failure or perceived failure by us or our service providers to prevent information security breaches or other incid
reported to result in unauthorized access to, or loss, theft, alteration, release or transfer of, our information, or any p
proprietary or sensitive data and intellectual property, could harm our reputation and competitive position and coul
and other liability. Any such actual or perceived security breach, incident or system disruption could also divert th
consequences in connection with investigating, remediating, eliminating and putting in place additional tools, devices,
other incidents and system disruptions, and in, for example, rebuilding internal systems, reduced inventory value, pr
responding to regulatory inquiries or actions, paying damages, or taking other remedial steps with respect to third pa
capital and other resources to respond to, notify third parties of, and otherwise address the incident or breach and its
involving certain types of data.

Further, we cannot assure that any limitations of liability provisions in our current or future contracts that may be app
or damages with respect to any particular claim relating to a security breach or other security-related matter. We
acceptable terms or will be available in sufficient amounts to cover claims related to a security breach or incident, o
claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance poli
requirements, could have a material adverse effect on our business, including our financial condition, operating result

Table of Contents

The failure or breach of our IT systems could affect our sales and operations.

The availability and effectiveness of our energy storage products and our ability to conduct our business and operati
we have yet to develop or otherwise obtain the ability to use. Systems used in our business will be vulnerable to
intentional acts of vandalism, as well as disruptions and security incidents as a result of non-technical issues, including
expect to face significant challenges with respect to information security and maintaining the security and integrity o
stored on or processed by these systems. We also anticipate storing and otherwise processing confidential business
Advances in technology, an increased level of sophistication and expertise of hackers, and new discoveries in the field
or of security measures used in our business to protect confidential information, personal information, and other dat
our operations or to attempt to gain access to our systems or to data that is processed or maintained in our business.

We use outsourced service providers to help provide certain services. For example, we utilize email and collaboration
information, including personal information and confidential business information, on our behalf. Any such outsource
interruptions, outages and breaches of our and our outsourced vendors' and service providers' operational systems
customer data that we or our third-party service providers process. These may be caused by, among

other causes, physical theft, viruses or other malicious code, denial or degradation of service attacks, ransomware, soc
protections of services provided to us, there can be no guarantee that a failure or breach of such systems will not occu
recover to avoid the loss of data or any adverse impact on our operations that are dependent on such IT systems. Thi
other harm to our business and results of operations. Further, some of the systems used in our business will not be f
security breaches or incidents or other damage to or disruptions to any data centers or other systems used in our
business, prospects, financial condition and operating results.

Furthermore, because our IT systems are essential for the exchange of information both internally and in commun
incidents could lead to unauthorized acquisition or unauthorized release of sensitive, confidential or personal dat
modification or destruction of information or defective products. Our IT systems also help us produce financial inform
and accurate financial information needed for compliance, audit, and reporting purposes. If any such security breache
and with third parties may be negatively impacted.

Significant capital and other resources may be required in efforts to protect against security breaches, incidents, and s
and other incidents and system disruptions. The resources required may increase over time as the methods used b
unauthorized access to systems or data, and to disrupt systems, are increasingly sophisticated and constantly ev
practices in the United States and elsewhere are rapidly evolving to combat these threats. We may face increased com
products and services and also incur additional costs for oversight and monitoring of our supply chain. We also can
which we rely, including those of our third-party suppliers or service providers, will be effectively implemented, mai
viruses, or malicious code. We may be required to expend significant resources to make corrections or to remediate iss
could have a negative impact on our business, prospects, financial condition and operating results.

We may not be able to identify or complete transactions with attractive acquisition candidates. Future acquisition

We may from time to time selectively pursue on an opportunistic basis acquisitions of additional businesses that comp
depend, in part, on

---

selecting strategic acquisition candidates at attractive prices and effectively integrating their businesses into our o
assurance that we will be able to identify attractive acquisition candidates or complete the acquisition of any identifi
financing alternatives. In addition, general economic conditions or unfavorable capital and credit markets could affe
limit our revenues and profitability.

Our facilities or operations could be damaged or adversely affected as a result of natural disasters and other catas

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wa
will be adequate to protect our facilities or operations from the effects of fire, floods, typhoons, earthquakes, power lo
of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or in
or hardware as well as adversely affect our ability to provide services.

We may not have sufficient insurance coverage to cover business continuity.

A sustained or repeated interruption in the manufacturing of our products due to labor shortage, fire, flood, war, pa
our control may interfere with our ability to manufacture our products and fulfil customers' demands in a timely mann
substantial period of time. Failure to manufacture our products and meet

---

customer demands would impair our ability to generate revenues which would adversely affect our financial results. W
any disaster recovery and business continuity plans that we may put in place may prove inadequate in the event of
coverage for our business. However, we cannot assure you that the amounts of insurance will be sufficient to satisfy a
substantial expenses, which, could have a material adverse effect on our business.

We face risks associated with expanding our international operations, including unfavorable and uncertain regula

We are subject to legal and regulatory requirements, political uncertainty and social, environmental and economic con
unpredictable. Our operations in such jurisdictions, particularly as a company based in the United States, create risks r
other electric infrastructures; organizing local operating entities; establishing, staffing and managing foreign business
permit requirements; enforceability of our contractual rights; trade restrictions, foreign direct investment review regi

nations for domestically manufactured products. Such conditions may increase our costs and tax liabilities, impact ou our business if we are unable to manage them effectively.

Changes in the global trade environment, including the imposition of import tariffs, could adversely affect the amo

Our current supply chain includes Chinese sources for various parts. Escalating trade tensions, particularly between tariffs applicable to certain electronic materials and components of our products.

Tariffs and the possibility of additional tariffs in the future have created uncertainty, particularly if we are not abl developments will not negatively impact the price of the positive electrode used in our products. Additionally, existing partners. Such outcomes could adversely affect the amount or timing of our revenues, results of operations or cash shortages or cause our customers to advance or delay their purchase of our products.

We are in the process of qualifying alternative sources but anticipate it will take time before alternate sources are qu current suppliers, which would negatively impact our results of operations. There is no guaranty that we will be able t to meet these requirements could result in supply disruptions and increased costs. It is difficult to predict what further

- 49 -

Table of Contents

additional or increased tariffs and trade restrictions, and we may be unable to react to such actions quickly and effecti

We could be subject to foreign exchange risk.

Our international sales typically are denominated in U.S. dollars. As a result, we will not have significant direct exposure internationally, our products may be at a price disadvantage as compared with other non-U.S. suppliers if the U.S. do lower prices or our struggling to compete for international customers. Consequently, currency fluctuations, in particul our products in international markets.

We may be required to take write-downs or write-offs, restructuring and impairment or other charges that could ha price, which could cause you to lose some or all of your investment.

Unexpected risks may arise that cause us to write-down or write-off assets, restructure our operations, or incur impai cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could co this nature may cause us to violate net worth or other covenants to which we may be subject. Accordingly, our stockh

- 46 -

Table of Contents

Our results of operations could vary as a result of changes to our accounting policies or the methods, estimates and

The estimates and judgments we use in applying our accounting policies have a significant impact on our results substantial risks, uncertainties and assumptions, and factors may arise over time that could lead us to reevaluate our r

Management regularly evaluates its estimates such as for service agreements, loss accruals, warranty, performanc estimates and judgments could significantly affect our financial condition and results of operations. We will also adopt

The requirements of being a public company may strain our resources and divert management's attention.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, t adopted, and to be adopted, by the SEC and the NYSE. Compliance with such public company requirements is exp consuming. complicated. We expect management and other personnel to continue to devote a substantial amount amount or timing of additional costs we may incur to respond to these requirements. The impact of these requiremen our board of directors or as executive officers.

In addition, we may not have adequate personnel with the appropriate level of knowledge, experience and training i public companies in the United States. The development and implementation of the standards and controls necessa United States may require costs greater than expected. It is possible that we will be required to further expand our em which will increase our operating costs in future periods.

Moreover, our efforts to comply with new and changing laws and regulations related to public disclosure and corp diversion of management time and attention. Because these laws, regulations and standards are subject to varying in available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs n address and comply with these regulations and any subsequent changes, we may be subject to penalty and our busin

- 50 -

We may engage in transactions with related parties and such transactions present possible conflicts of interest tha

We may enter into transactions with related parties. Related-party transactions create the possibility of conflicts of inte

- we may enter into contracts between us, on the one hand, and related parties, on the other, that are not as a r
- our executive officers and directors that hold positions of responsibility with related parties may be aware of c other related parties and may present such business opportunities to such other parties; and
- our executive officers and directors that hold positions of responsibility with related parties may have signific interest in allocating time.

Such conflicts could cause an individual in our management such executive officer or director to seek to advance his Further, the appearance of conflicts of interest created by related-party transactions could impair the confidence c transactions. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our b

Risks Related to Regulatory, Environmental and Legal Issues

We may face regulatory challenges to or limitations on our ability to sell our products directly in certain markets. E

While we intend to continue to sell our products across the United States both directly and through third parties, ou ability to sell energy storage or by

---

broader regulation related to the sales and operation of distributed energy resources, which could have an impact on c

Although we currently primarily operate in the United States, we continue to expand our business internationally. Any operations. In addition, there may be laws in international jurisdictions we have not yet entered or laws we are unawa Even for those jurisdictions we have analyzed, the laws in this area can be complex, difficult to interpret and may ch ability to sell our energy storage products may harm our business, financial condition and results of operations. Adc could diminish the real or perceived value of our energy storage solutions in those markets. As a result of these risk successful.

Our customers may be required to obtain environmental, health and safety or other certifications in order to insta not be able to install our products, which would negatively impact our revenues.

While our engineering team has worked closely with the CSA Group, Intertek, UL and Technischer Überwachungsv applicable safety standards, there is no guarantee that such certifications shall continue to be obtained. From our pri Conformity marking in the European Union and intend to expand to other international standards such as the Intern impact on our revenues, as compliance is required by some of our customers.

We are subject to multiple U.S. federal, state, local and other applicable regulations. Changes in applicable law increase our costs and have other negative impacts on our business.

Applicable laws and requirements address multiple aspects of our operations, such as worker safety, consumer r requirements in different jurisdictions. Changes in these requirements, or any material failure to comply with them investigations or other proceedings, which may result in fines, penalties, and other liabilities, and which may limit ou operations in adverse ways.

We are subject to requirements relating to environmental and safety regulations and environmental remediation r

We are subject to numerous federal, state and local environmental laws and regulations governing, among other thin of hazardous materials. There are significant capital, operating and other costs associated with compliance with the more stringent in the future, which could increase costs of compliance or require us to manufacture with alternative te

Federal, state and local authorities also regulate a variety of matters, including, but not limited to, health, safety and regulations may require us to make material changes to our operations, resulting in significant increases to the cost of

Our manufacturing process involves hazards such as but not limited to hazardous materials, machines with moving p equipment and related safety incidents. There may be environmental or safety incidents that damage machinery or p regulation, fines, increased insurance premiums, mandates to temporarily halt production, workers' compensation cla

We may be exposed to delays, limitations and risks related to the environmental permits and other operating perm

Operation of our manufacturing facilities requires land use and environmental permits and other operating permits fr out and perform our current plans and operations at our existing facility, we may require additional environmental, w facilities. Delays, denials or restrictions on any of the applications for or assignment of the permits to operate our ma objectives.

Table of Contents

We may collect and process certain information about our customers and about individuals and will be subject to v

We may collect and process certain battery data required for performance monitoring, safety and serviceability. This in battery operational and safety parameters. Additionally, we collect and otherwise process other data relating to ind handling of data relating to individuals is subject to a variety of laws and regulations relating to privacy, data prote contractual obligations, relating to our maintenance and other processing of this data, and new or modified laws or r data protection, and cybersecurity are evolving rapidly, and we expect to potentially be subject to new laws and regu These laws, regulations, and other obligations, and changes in their interpretation, could require us to modify our c regulations, and other obligations are complex and compliance with them can be difficult. It is possible that these laws or asserted to be inconsistent with our business or practices. We anticipate needing to dedicate substantial resources in order to comply. Any actual or alleged failure by us to comply with our privacy policy or any federal, state or inte could result in claims and litigation against us, regulatory investigations and other proceedings, legal liability, fines, partners to comply with contractual or legal obligations regarding the protection of information about our customers or other obligations relating to privacy, data protection or cybersecurity, we may need to undertake compliance effort

Further, although we take steps to protect the security of our customers' personal information and other personal info other misuses of this information, and many jurisdictions have enacted laws requiring companies to notify individuals may be required to expend significant resources to comply with security breach and incident notification requirement otherwise experience a security breach or incident or loss or damage of personal information, or if this is perceived to vendors

---

Table of Contents

or service providers, could result in claims, litigation, and proceedings against us by governmental entities or othe penalties and damages, and could result in reduced demand for our energy storage products and harm to our rep results.

We could be subject to penalties and other adverse consequences for any violations of the FCPA, and other foreign

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the United Kingdom Briber the United States in which we conduct our activities. We may have business dealings with customers in certain co enforced aggressively in recent years and are interpreted broadly to generally prohibit companies and their em authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or pr

We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, ag indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and representatives, business partners or third-party intermediaries even if we do not explicitly authorize such activities. W of applicable law, for which we may be ultimately held responsible. We currently have contracts and may potentially o and as we increase our international sales and business, our risks under these laws may increase. In addition, due to jurisdictions may require substantial government contact where norms can differ from U.S. standards.

These laws also require that we keep accurate books and records and maintain internal controls and compliance pr address and to mandate compliance with

---

Table of Contents

such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-part
may be ultimately held responsible.

In the event that we believe, have reason to believe, or are notified that our employees, agents, representatives, busir
laws, including anti-bribery and anti-corruption laws, we may be required to investigate or have outside counsel invest
or alleged violations can be expensive and require significant time and attention from senior management. Any a
regarding anti-bribery and anti-corruption could result in substantial fines, sanctions, civil and/or criminal penalt
damages, adverse media coverage, investigations, loss of export privileges, suspension or debarment from governm
jurisdictions. In addition, actual or alleged violations could damage our reputation and ability to do business. Any of t
prospects and results of operations.

We are subject to governmental export and import controls and economic sanctions programs that could impair o controls.

Our products and services are, or may in the future be, subject to U.S. export control laws and regulations including th
by the Office of Foreign Assets Control ("OFAC") and to similar laws and regulations in all other jurisdictions in which v
products and services to certain countries or end-users or for certain end-uses. If we were to fail to comply with such e
both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for wil
the EAR, OFAC sanctions, and other applicable regulatory requirements regarding the import and export of our prod
and services in non-U.S. markets, prevent our customers with non-U.S. operations from deploying these products a
products and services to some countries or users altogether. We may enter into agreements with customers and coun

Table of Contents

Obtaining the necessary export license for a particular sale or offering may not be possible, may be time-consuming,
and trade and economic sanctions as well as similar laws and regulations in other jurisdictions prohibit the export of p
persons, as well as for prohibited end-uses. Even though we have taken precautions to ensure that we and our partn
monitoring and ensuring compliance with these complex laws and regulations is particularly challenging, and any fa
consequences for us, including reputational harm, government investigations and penalties.

Any change in domestic or international export or import laws or regulations, economic sanctions, or related legis
regulations, or change in the countries, governments, persons, or technologies targeted by such export, import, or san
or in our decreased ability to export or sell our products and/or services to, end-customers with international operatio

We may be exposed to various risks related to legal proceedings or claims that could adversely affect our operat exceed the level of our insurance coverage resulting in our not being fully protected.

We have been and may continue to be party to lawsuits in the normal course of our business. Litigation can be expens
Moreover, the results of complex legal proceedings are difficult to predict. Responding to lawsuits brought against u
outcomes from these claims and/or lawsuits could adversely affect our business, financial condition or results of ope
business practices.

Our business may expose us to claims for personal injury, death or property damage resulting from the use of our
litigation associated with compliance with various laws and governmental regulations at the federal, state or local leve
safety, security and other regulations under which we operate.

Table of Contents

We carry comprehensive insurance, subject to deductibles, at levels we believe are sufficient to cover existing and f
multiple claims, and, as a result, could incur significant out-of-pocket costs before reaching the deductible amount, wh
cost of such insurance policies may increase significantly upon renewal of those policies as a result of general rate incr
in our industry. Although we have not experienced any material losses that were not covered by insurance, our existir
not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher
must pay amounts in excess of claims covered by our insurance, then we could experience higher costs that could adv

We are subject to certain restrictions and obligations on our business as a result of grants and/or loans recei restrictions to the extent we utilize governmental grants in the future.

Some of our research has been funded by grants from U.S. government agencies. In conjunction with the Advance
granted to the United States a non-exclusive, nontransferable, irrevocable, paid-up license to practice or have practice
within the scope of the grant. When new technologies are developed with U.S. government funding, the governmen
minimum, a nonexclusive license authorizing the government to use the invention or technical data for noncor
applications, and our rights in such inventions will normally be subject to government license rights, periodic progres

disclose to the Department of Energy an invention made with grant funds that we disclosed to patent counsel or for that title to the subject invention be transferred to it.

March-in rights refer to the right of the U.S. government, under certain limited circumstances, to require us to grant a we refuse, to grant such a license itself. March-in rights can be triggered if the government determines that we have fai

Table of Contents

achieving practical application of a technology or if action is necessary to alleviate health or safety needs, to meet requ of our grants, the government may gain rights to the intellectual property developed in our related research. The go adversely affect our performance.

To the extent we utilize governmental grants in the future, the governmental entities involved may retain certain rig ability to fully capitalize upon the value of this research by reducing total revenues that might otherwise be available s without payment of royalties if we do not comply with applicable requirements. Such grants and other forms of gover

The reduction, elimination or expiration of government tax credits, subsidies and economic incentives related business.

The U.S. federal government and some state and local governments provide incentives to end users and potential financial incentives, such as system performance payments and payments for renewable energy credits associated wit other financial incentives to significantly lower the effective price of the energy storage products to our customers in allocated funding is exhausted, or be reduced or terminated as a matter of regulatory or legislative policy.

Our energy storage products have qualified for tax exemptions, incentives or other customer incentives in many sta portfolio standards for which our technology is eligible. There is no guarantee that these policies will continue to exis U.S. federal, state and local levels in the future. Changes in federal or state programs could reduce demand for our ene

On August 16, 2022, President Biden signed into law the Inflation Reduction Act (the "IRA"), which extends the availabil that applies to solar

Table of Contents

and energy storage products. As a result of changes made by the IRA, the ITC for solar generation projects is extend expansion provides significant certainty on the tax incentives that will be available to stand-alone battery projects in and expansions of various tax credits that are critical for our customers' economic returns, while also providing mor storage systems. However, the full impact of the IRA cannot be known, and many of the IRA's provisions, including w from the IRS and Treasury Department, some of which has been issued and which we expect to continue to be iss provisions generally subsidize battery storage both in front of and behind the meter, they may benefit other compa may enable companies producing shorter duration lithium ion batteries to compete with us through added volume of

We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, a "emerging growth companies" or "smaller reporting companies," this could make our securities less attractive to companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and w applicable to other public companies that are not "emerging growth companies" including, but not limited to, not Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and pr vote on executive compensation and shareholder stockholder approval of any golden parachute payments not prev information they may deem important. We will remain an emerging growth company until the earliest of (i) the last c affiliates exceeds $700,000,000 as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which we have t inflation), (iii) the date on which we have issued more than $1.0 billion in non-convertible debt in the prior three-year an emerging growth company can take advantage of the exemption from complying with new or revised accounting s

Table of Contents

in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth compa
would otherwise apply to private companies. We have elected not to opt out of such extended transition period and, t
public companies that are not emerging growth companies. This may make comparison of our financial statements wi
growth company which has opted out of using the extended transition period difficult or impossible because of the p
find our securities less attractive because we expect to rely on these exemptions. If some investors find our common
common stock may be lower than it otherwise would be, there may be a less active trading market for our common st

Additionally, we are currently a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller rep
among other things, providing only two years of audited financial statements. We will remain a smaller reporting cor
stock held by non-affiliates exceeds $250,000,000 as of the prior June 30, or (ii) our annual revenues exceeded $100,00
non-affiliates exceeds $700,000,000 as of the prior June 30. To the extent we take advantage of such reduced disclosu
companies difficult or impossible.

Changes in tax laws or in their implementation or interpretation may adversely affect our business and financial co

We are or may become subject to income- and non-income-based taxes in the United States under federal, state
regulations and administrative practices in these jurisdictions may be subject to significant change, with or without ac
the right to deduct research and development expenditures for tax purposes in the period the expenses were incurr
amortized over five and fifteen tax years, respectively, and as a result, we recognized a deferred tax asset for the future

tax benefit of the amortization deductions of the capitalized research and development expenditures. Changes in
obligations and effective tax rates and otherwise adversely affect our tax positions and/or our tax liabilities. Such chan

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2022, we had U.S. federal and state net operating loss carryforwards of $130.7 million and $130.6 r
2017 do not expire. The remaining federal net operating loss carryforwards expire beginning in 2032. It is possible th
before their expiration (if applicable) or at all. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as a
than 50 percentage points change (by value) in the ownership of its equity by certain stockholders over a rolling three-
and certain other pre-change tax attributes to offset its post-change income and taxes may be limited. We may h
changes in the future as a result of shifts in our stock ownership, some of which are outside our control. Accordingly
could be limited by an "ownership change" as described above, which could result in increased tax liability to the comp

Risks Related to Our Intellectual Property

If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, th

Our success depends to a significant degree on our ability to protect our intellectual property and other proprietary
competition laws, as well as confidentiality and other contractual provisions with our customers, suppliers, employees
Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of
may be subject to claims that our intellectual property rights are invalid or not enforceable. Our assertion of intellectua

which could harm our business. Our inability to enforce intellectual property rights under any of these circumstances v

We have applied for patents in multiple jurisdictions, including the United States, Europe, and Australia, and under th
any of our pending applications will be approved or that our existing and future intellectual property rights will be
approvals or finding that our intellectual property rights are invalid or unenforceable could force us to, among other
for patent protection or where effective intellectual property protection is not available to the same extent as in the U
infringed, or otherwise violated. Government actions may also undermine our intellectual property rights.

Our intellectual property may be stolen or infringed upon. In the event of such theft or infringement, we may be requ
far, we have been neither the subject of any lawsuits challenging the ownership or validity of our intellectual proper
However, any such lawsuits may consume management and financial resources for long periods of time and may not
business, financial condition or results of operations.

Third parties may assert that we are infringing upon their intellectual property rights, which could divert manager
the technology to which such rights relate.

Our competitors and other third parties hold numerous patents related to technology used in our industry. From tir
related litigation, and, if we gain greater recognition in the market, we will face a higher risk of being the subject of
products and technology do not infringe in any material respect upon any valid intellectual property rights of third par

If we do not successfully defend or settle an intellectual property claim, we could be liable for significant monetar
methods, content, or brands. To avoid a prohibition, we could seek a license from the applicable third party, which cou

significant royalties, increasing our operating expenses. If a license is not available at all or not available on reasonable which could require significant effort and expense. If we cannot license or develop a non-violating alternative, we wou and subject to termination and indemnification obligations under our contracts. Any of these results would adversely

Our patent applications may not result in issued patents or our patent rights may be contested, circumvented, in ability to prevent others from interfering with the commercialization of our products.

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to p involves complex legal and factual questions and the breadth of claims allowed is uncertain. As a result, we cannot b our patents and any patents that may be issued to us will afford protection against competitors with similar technolo in which we have developed and are developing our technology. In addition to those who may claim priority, any of o otherwise invalid or unenforceable. Furthermore, patent applications filed in foreign countries are subject to laws, rule that foreign patent applications related to issued U.S. patents will be issued.

Even if our patent applications succeed and we are issued patents in accordance with them, we are still uncertain wh future. The rights granted under any issued patents may not provide us with meaningful protection or compet enforcement than in the United States. In addition, the claims under any patents that issue from our patent applica similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensin issued to us may be infringed upon or designed around by others and others may obtain patents that we need to li business, financial condition and results of operations.

Risks Related to Raising Capital

As we endeavor to expand our business, we will incur significant costs and expenses, which could outpace our cas adversely impact business conditions and the availability of credit.

We expect to incur additional costs and expenses in the future related to the continued development and expansion significantly increase production capacity, developing our products, maintaining and enhancing our research and dev in the United States and internationally, and growing our project management, field services and overall operational enough to absorb these costs or the extent of these expenses or their impact on our results of operations.

Disruptions in the global capital and credit markets as a result of an economic downturn, economic uncertainty, cha negative perceptions about our long-term business prospects or the renewable energy sector as a whole, even if exa could adversely affect our access to liquidity needed for business in the future. For example, in March 2023, the clos created uncertainty across the industry. Future defaults or other similar destabilizing events could impact the credit on favorable terms. Our business could be harmed if we are unable to obtain additional capital as required, resulting in

We expect to raise additional capital in the future, and it may not be available on acceptable terms, if at all.

As discussed in "*Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—* the future. However, these sources of financing may not be available on acceptable terms, or at all. Our ability to obt our operating performance, the price of our common stock, investor sentiment generally or about the renewable ener governing our then-outstanding debt. These factors may make the timing, amount, terms or

conditions of additional financings unattractive to us. If we raise additional funds by issuing equity, equity-linked or de of our currently issued and outstanding equity or debt, and our existing stockholders may experience dilution. If w successful operation and growth could be impeded.

Risks Related to Our Common Stock and Warrants

The price of our common stock may be volatile.

The price of our common stock may fluctuate due to a variety of factors, including:

- changes in the industries in which we and our customers operate;
- variations in our operating performance and the performance of our competitors in general;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competito
- additions and departures of key personnel;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- publication of research reports by securities analysts about us or our competitors or our industry;
- sales of shares of our common stock by our existing stockholders;
- short selling activities;
- the volume of shares of our common stock available for public sale; and

- 58 -

Table of Contents

- general economic and political conditions such as recessions, interest rates, fuel prices, inflation, instability in t social, political and economic risks, hostilities or the perception that hostilities may be imminent, terrorism, Ukraine Middle East and the related response, responses, including sanctions or other restrictive actions, by th

These market and industry factors may materially reduce the market price of our common stock regardless of our ope

In addition, we have been and in the future may again be the subject of a report issued by activist short sellers. Any su may cause our stock price to experience volatility.

A sale of a significant portion of our total outstanding shares into the market may cause the market price of our co

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sale shares, could reduce the market price of our common stock.

Certain holders of shares of our common stock have rights, subject to certain conditions, to require us to file registra that we may file for ourselves or other stockholders. Registration of these shares under the Securities Act would resul Rule 144 in the case of our affiliates. Any sales of securities by these stockholders could have a material adverse effe exercise of registration rights may make it more difficult for us to sell equity securities in the future at a time and a common stock to fall and make it more difficult for you to sell shares of our common stock at a time and price that you

The issuance by us of additional shares of common stock or equity-linked securities may cause existing stockholde

- 55 -

Table of Contents

From time to time in the future, we may issue additional shares of our common stock or equity-linked securities connection with financings, acquisitions, investments, our equity compensation plans or otherwise. Any such issu experience significant dilution of their ownership interests and could adversely affect prevailing market prices of our c

We have warrants outstanding that are exercisable for our common stock, which, if exercised, would increase the our shareholders. stockholders.

As of June 30, 2023 September 30, 2023, we had outstanding Public Warrants to purchase an aggregate of 7,377,893 shares of our common stock. The exercise price of each of these warrants is $11.50 per share. As used herein, "Publi public offering, which were converted into warrants to purchase shares of ESS common stock in connection with the E of STWO issued in a private placement concurrently with STWO's initial public offering, which were converted in Combination.

In addition, on September 16, 2022, we entered into a warrant agreement with SMUD, whereby we agreed to issue a share. The vesting of the shares underlying the warrant will be subject to the achievement of certain commercial milest

On September 21, 2023, we issued to Honeywell Ventures the Investment Warrant exercisable for up to 10,631,633 sh common stock, and the initial Performance Warrant exercisable for up to 775,760 shares of common stock. The Inves

and the initial Performance Warrant has an exercise price of $1.45. We may issue additional Performance Warrants to
up to $300 million by 2030) on an annual basis for the five-year period beginning in 2026, based on UOP's purchase
Warrants will have an exercise price equal to the volume-weighted average price of the Company's common stock f
Performance Warrant is being issued.

Table of Contents

To the extent such warrants are exercised, additional shares of our common stock will be issued, which will result in
resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such wa
stock. For further information, see Note 8, 10, *Common Stock Warrants*.

The Public Warrants may be amended in a manner adverse to a holder if holders of 65% of the then outstanding Pu

Our warrants were issued in registered form under a warrant agreement between Continental Stock Transfer & Trust
the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective pro
outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of P
adverse to a holder if holders of 65% of the then-outstanding Public Warrants approve of such amendment and, sole
the warrant agreement with respect to the Private Warrants, 65% of the number of the then outstanding Private Wa
65% of the then-outstanding Public Warrants is unlimited, examples of such amendments could be amendments to,
cash, shorten the exercise period or decrease the number of shares of our common stock purchasable upon exercise

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby m

We have the ability to redeem the outstanding Public Warrants at any time after they become exercisable and prio
common stock equals or exceeds $18.00 per share (as adjusted for share subdivisions, share dividends, rights issuance
a 30 trading-day period ending on the third trading day prior to proper notice of such redemption and provided that
may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale und
above even if the holders are otherwise unable to exercise the warrants. Redemption of the outstanding warrants cou
it may be disadvantageous for you to do so, (ii) sell your warrants at the then-current market price when you might
the time the outstanding warrants are called for redemption, we expect would be substantially less than the market va

In addition, we have the ability to redeem the outstanding Public Warrants at any time after they become exercisabl
prior written notice of redemption provided that the closing price of the our common stock equals or exceeds $10.00
the exercise price of a warrant) for any 20 trading days within a 30 trading-

Table of Contents

day trading-day period ending on the third trading day prior to proper notice of such redemption and provided that c
prior to redemption for a number of shares of common stock determined based on the redemption date and the fa
may be less than the value the holders would have received if they had exercised their warrants at a later time where t
the warrants, including because the number of ordinary shares received is capped at 0.361 shares of common stock pe

None of the Private Warrants will be redeemable by us as so long as they are held by ACON S2 Sponsor, LLC, (the "Spo

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequ
not occur for some time or not at all, as the only way to realize any future gains on their investment.

There can be no assurance that we will be able to comply with the continued listing standards of the NYSE.

Our common stock and our Public Warrants are listed on the NYSE under the symbols "GWH" and "GWH.W," respect
listing standards and we are not able to list such securities on another national securities exchange, we expect such se

Table of Contents

over-the-counter market. If this were to occur, we and our stockholders could face significant material adverse conseq

- a limited availability of market quotations for our securities;

- reduced liquidity 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.

Reports published by analysts, including projections in those reports that differ from our actual results, could adve

Securities research analysts may establish and publish their own periodic projections for us. These projections may v may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or r or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases c could decline.

We may be subject to short selling strategies that may drive down the market price of our common stock.

Short selling occurs when an investor borrows a security and sells it on the open market, with the intention of buying a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replaceme some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issu market momentum. Short sellers can publicly attack a company's reputation and business on a broader scale via onl short seller has precipitated a decline in the market price of our common stock, and future similar efforts by other sh promoted by short sellers, even if untrue, may have to expend a significant amount of resources to investigate such al

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and Delaw or changes in management and, therefore, depress the market price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that co of directors that our stockholders might consider favorable. These provisions, among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;

Table of Contents

- provide that directors may only be removed "for cause" and only with the approval of a majority of the votin election of directors;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder r
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting
- prohibit cumulative voting by stockholders at any election of directors;
- authorize our board of directors to amend the bylaws;
- establish advance notice requirements for nominations for election to our board or for proposing matters tha
- require a super-majority vote of stockholders to amend some of the provisions described above.

In addition, Section 203 of the Delaware General Corporation Law (the "DGCL"), prohibits a publicly held Delaware cor a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a

Table of Contents

the date of the transaction in which the person became an interested stockholder, unless the business combination is

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delawa opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the pr

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware and the federal stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for d

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware (or, if the Court of Char for the District of Delaware) is the exclusive forum for the following (except for any claim as to which such court deter the indispensable party does not consent to the personal jurisdiction of such court within 10 days following such dete court or for which such court does not have subject matter jurisdiction):

- any derivative action or proceeding brought on our behalf;

- any action asserting a claim of breach of fiduciary duty owed by any director, stockholder, officer or other emp
- any action arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporatio
- any action asserting a claim against us that is governed by the internal affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchang

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act a To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by differ that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the cause of action arising under the Securities Act against any person in connection with any offering of the Company's s note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favora lawsuits against us and

- 58 -

Table of Contents

our directors, officers and other employees. Any person or entity purchasing, holding or otherwise acquiring any in provisions. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar legal proceedings. While the Delaware courts have determined that such choice of forum provisions are facially valid, a in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in th unenforceable, and if a court were to find the exclusive forum provision in our amended and restated bylaws to be resolving the dispute in other jurisdictions, which could materially adversely affect our business.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-p

Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemn

In addition, as permitted by Section 145 of the DGCL, our amended and restated bylaws and our indemnification agree

- 62 -

Table of Contents

- we indemnify our directors and officers for serving us in those capacities or for serving other business enterp that a corporation may indemnify such person if such person acted in good faith and in a manner such pers with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawf
- we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is p
- we are required to advance expenses, as incurred, to our directors and officers in connection with defending a it is ultimately determined that such person is not entitled to indemnification;
- we are not obligated, pursuant to our amended and restated bylaws, to indemnify a person with respect to pr to proceedings authorized by our board of directors or brought to enforce a right to indemnification;
- the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter i obtain insurance to indemnify such persons; and
- we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification o

While we maintain a directors' and officers' insurance policy to the fullest extent permitted by the DGCL, such insura available funds to satisfy third-party claims and may materially adversely affect our cash position.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None. There were no sales of equity securities during the period covered by this Report that were not registered unc filed by the Company.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOS

Not applicable.

ITEM 5. OTHER INFORMATIO

Securities Trading Plans of Directors and E

During the three months ended June 30, 2023 September 30, 2023, no director or officer, as defined in Rule 16a-1(f)
arrangement" or a "non-Rule 10b5-1 trading arrangement," each

Table of Contents

ITEM 6. EXHIBITS

Exhibit	Description	
3.1#	Amended and Restated Certification of Incorporation of ESS	8-K
3.2#	Amended and Restated Bylaws of ESS	10-(
3.3#	Certificate of Amendment to the Certificate of Incorporation	8-K
4.1#	Warrant Agreement, dated September 15, 2020, by and between the Company and Continental Stock	S-4
4.2#	Assignment, Assumption and Amendment Agreement to the Warrant Agreement, dated October 8, 2021	8-K
4.3#	Warrant to Purchase Stock, dated September 16, 2022, by and between the Company and Sacramento Municipal Utility District	10-(
4.4	Investment Warrant, dated September 21, 2023	
4.5	IP Warrant, dated September 21, 2023	
4.6	Performance Warrant, dated September 21, 2023	
4.7	Registration Rights Agreement, dated September 21, 2023, by and between the Company and Honeywell ACS Ventures LLC	
10.1	Common Stock and Warrant Purchase Agreement, dated September 21, 2023, by and between the Company and Honeywell ACS Ventures LLC	
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted in Inline XBRL and included in Exhibit 101)	

Previously filed.

* These exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed wi
filing of ESS Tech, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act
any general incorporation language contained in such filings.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this Q
authorized.

August 8, November 14, 2023

E

B

- 61 65 -

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER TH
SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERW
UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICAB
ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFA
HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITI
ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPO
HEREBY.

WARRANT TO PURCHASE SHARES OF
of
ESS TECH, INC.
Dated as of September 21
Void after the Expiration

No. 1

THIS CERTIFIES THAT, for value received, Honeywell ACS Ventures LLC, or its registered
terms and conditions set forth herein, to purchase from ESS Tech, Inc., a Delaware corpora
par value per share (the "***Shares***"), in the amounts, at such times and at the price per share
this Warrant and any warrants delivered in substitution or exchange therefor as provide
described in the Common Stock and Warrant Purchase Agreement, dated as of September
Agreement"), and the other Transaction Documents (as defined in the Purchase Agreemen
Agreement.

The following is a statement of the rights of the Holder and the conditions to whic
Warrant, agrees:

1. **Number and Price of Shares; Exercise Period.**

(a) ***Number of Shares.*** Subject to any previous exercise of the Warrant, the H
be adjusted pursuant hereto, prior to (or in connection with) the expiration of this Warrant a

(b) ***Exercise Price.*** The exercise price per Share shall be equal to $1.89, subjec

(c) ***Exercise Period.*** This Warrant shall be exercisable, in whole or in part, pric
Section 8.

2. **Exercise of the Warrant.**

(a) While this Warrant remains outstanding and exercisable in accordance wi
with Section 4 herein, by either:

(i) wire transfer to the Company or cashier's check drawn on a United

(ii) in the event that (1) there is no effective registration statement allo
Warrant Shares or (2) this Warrant is being exercised in connection with an expiration event
Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares on the c

(b) Notwithstanding anything herein to the contrary, the Holder shall not be
Holder has purchased all of the Warrant Shares available hereunder and the Warrant has
Warrant to the Company for cancellation within three trading days of the date the final No
Exercise") is delivered to the Company. Partial exercises of this Warrant resulting in pur
hereunder shall have the effect of lowering the outstanding number of Warrant Shares pu
Warrant Shares purchased. The Holder and the Company shall maintain records showing the

(c) Net Exercise. If the Company shall receive written notice from the Holde
Exercise the Warrant, the Company shall deliver to such Holder (without payment by the
computed using the following formula:

X = Y (A -
A

Where

X = The number of Warrant Share

Y = The number of Warrant Shares purchasable under this Warrant or, if onl
being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock (at the date of such

B = The Exercise Price (as adjusted hereunder to the date of such calculation

The "***Fair Market Value***" of one share of Common Stock as of a particular date shall be deterr
deemed to be the average of the closing prices of the Common Stock on such exchange over
Net Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the average of
Stock over the fifteen (15) day period ending two business days prior to the date of Net Ex
either of the foregoing bases, the price determined in good faith by the Company's Board of
hereof, the "Fair Market Value" shall be equal to the per share price received by such holders
For the avoidance of doubt, "***the date of Net Exercise***" shall be the date the Holder's written r

(d) ***Deemed Exercise***. In the event that immediately prior to the close of bu
Common Stock (as determined in accordance with Section 1(c) above) is greater than th
automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the
Holder pursuant to the provisions of Section 1(c) above and this Section 1(d); provided that

want this Warrant to be exercised pursuant to this Section 1(d), the terms of this Secti
automatically exercised and shall terminate on the Expiration Date.

(e) ***Stock Certificates.*** The rights under this Warrant shall be deemed to ha
deemed to have been issued immediately prior to the close of business on the date this Warr
receive the Shares issuable upon such exercise shall be treated for all purposes as the hol
Within three business days, the Company shall issue and deliver to the person or persons e
or evidence of book-entry for that number of shares issuable upon such exercise. In the eve
expired, the Company shall execute and deliver a new Warrant reflecting the number of Shar

(f) ***No Fractional Shares or Scrip.*** No fractional shares or scrip representing
this Warrant. In lieu of such fractional share to which the Holder would otherwise be entitle
multiplied by such fraction.

(g) ***Reservation of Stock.*** The Company covenants that during the period th
and unissued Common Stock a sufficient number of shares of Common Stock (or other sec
other securities) upon the exercise of this Warrant. The Company represents and warrants t
when issued in accordance with the terms hereof, be validly issued, fully paid and nonassessa

3. **Replacement of the Warrant.** Upon the receipt of evidence reasonably satisfac
Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreemen
the case of mutilation, on surrender and cancellation of this

Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new

4. **Mechanics of Exercise.** This Warrant may be exercised by the holder hereof, in
agency of the Company as it may designate by notice in writing to the registered Holder at
completed and duly executed copy of the Notice of Exercise by mail or email attachment to
elected to Net Exercise) then in effect with respect to the number of Warrant Shares as to
have been exercised immediately prior to the close of business on the date of the delivery
person entitled to receive the Warrant Shares issuable upon such exercise shall be treated f
business on such date. The Company shall, as promptly as practicable, and in any event by th
to the Company of the Notice of Exercise and payment of the aggregate Exercise Price (unle
instruct the transfer agent for the Common Stock to record the issuance of Warrant Shares
transfer agent's regular procedures. The Warrant Shares shall be deemed to have been is
therein shall be deemed to have become a holder of record of such shares for all purpose
Company of the Exercise Price (or by Net Exercise) and all taxes required to be paid by the ho

5. **Compliance with Securities Laws; Restrictive Legend.**

(a) The Holder hereby represents: (i) that this Warrant and any securities to b
investment for the Holder's own account and not with a view to the resale or distribution
defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as ame
certificates for the Common Stock, the Company will require the Holder to deliver to the Co
status, investment intent, acquisition for its own account and such other matters as are rea
private offering as set forth in the form of Notice of Exercise.

(b) The Holder understands that this Warrant and the Warrant Shares are c
inasmuch as they are being acquired from the Company in a transaction not involving a pu
Warrant and the Warrant Shares may be resold without registration under the Securities A
represents that it is familiar with Rule 144 under the Securities Act, as presently in effect, a
Securities Act.

(c) Prior and as a condition to the sale or transfer of the Warrant Shares i
Company such certificates, representations, agreements and other information as the
reasonably may require to confirm that such sale or transfer is being made pursuant to a
requirements of the Securities Act, or pursuant to an effective registration statement. In con

transfer of Warrant Shares that is being made pursuant to an exemption from, or in a transa
or pursuant to an effective registration statement, the Company shall provide to the tra
Company's counsel, or other counsel reasonably acceptable to the Company, as the trans
Shares.

(d) The Holder acknowledges that the Company may place a restrictive legen
Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable se
its transfer agent in connection with such restrictions.

6. Transfer of the Warrant.

(a) Subject to compliance with applicable federal and state securities laws ar
respect to any or all of the Warrant Shares purchasable hereunder. For a transfer of this War
Company, together with the Notice of Assignment in the form attached hereto as Exhibit B d
issue a new Warrant of the same denomination to the assignee. For a transfer of this W
hereunder, upon surrender of this Warrant to the Company, together with the Notice of As
executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in
to the Holder a new Warrant covering the number of shares in respect of which this Warrant

(b) This Warrant is exchangeable, without expense, at the option of the Holc
warrants of different denominations entitling the holder thereof to purchase in the ag
hereunder. This Warrant may be divided or combined with other warrants that carry the
Company together with a written notice specifying the denominations in which new warran
term "Warrants" as used herein includes any warrants into which this Warrant may be divide

(c) ***Taxes.*** In no event shall the Company be required to pay any tax which ma
of any certificate, or a book entry, in a name other than that of the Holder, and the Compar
such book entry, unless and until the person or persons requesting the issue or entry there
established to the satisfaction of the Company that such tax has been paid or is not payable.

7. **Adjustments.** Subject to the expiration of this Warrant pursuant to Section 8, t
Price therefor are subject to adjustment from time to time, as follows:

(a) ***Merger or Reorganization.*** If at any time there shall be any reorganization
the Company (other than as otherwise provided for herein or as would cause the expiration
are converted into or exchanged for securities, cash or other property, then, as a condition t

Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and am
resulting from such Reorganization, equivalent in value to that which a holder of the Shares
such Reorganization if the right to purchase the Shares hereunder had been exercised im
adjustment (as determined in good faith by the Board of Directors of the successor corpora
with respect to the rights and interests of the Holder after such Reorganization to the end t
near as reasonably may be, in relation to any shares or other securities deliverable after that

(b) ***Reclassification of Shares.*** If the securities issuable upon exercise of this
of any other class or classes by reclassification, capital reorganization or otherwise (other t
condition to any such Reclassification, in lieu of the number of Shares which the Holder wo
right thereafter to exercise this Warrant for a number of shares of such other class or clas
exercise of this Warrant immediately before that change would have been entitled to receiv
herein with respect to such other shares.

(c) ***Subdivisions and Combinations.*** In the event that the outstanding shares
dividend or otherwise) into a greater number of shares of such securities, the number of Sha
prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be pr
decreased, and in the event that the outstanding shares of common stock are combined (b
securities, the number of Shares issuable upon exercise of the rights under this Warran
effectiveness of such combination, be proportionately decreased, and the Exercise Price shal

(d) ***Notice of Adjustments.*** Upon any adjustment in accordance with this Sec
a certificate of an officer of the Company setting forth the nature of such adjustment and
based, including setting forth in reasonable detail the method of calculation of each. The cer
following the adjustment and (iii) the number of securities and the amount, if any, of other p
of this Warrant.

8. **Expiration of the Warrant**. This Warrant shall expire and

(a) 5:00 p.m., Pacific time, on

(b) Upon the consummation of an acquisition of the Company by another e
which the Company is a party (including, without limitation, any stock acquisition, reorganiza
raising purposes and any transaction effected primarily for purposes of changing the Comp
related transactions in which the holders of the voting securities of the Company outstanding

immediately prior to such transaction or series of related transactions retain, immediately a
the Company held by such holders prior to such transaction or series of transactions, at lea
voting securities of the Company or such other surviving or resulting entity (or if the Co
subsidiary immediately following such acquisition, its parent), all Warrants at the closing of su
received by holders of Company Common Stock in such transaction or series of related t
greater than the price per share to be received by holders of Company Common Stock in suc
cashless basis as set forth in Section 2 hereof, or (ii) in the event that the holders of Cor
transaction, be deemed automatically terminated without any further action required by any
the right, with respect to each Share for which this Warrant was exercisable immediate
consideration payable in respect of one share of the Company's Common Stock in such tran
any agreements and delivering certificates and instruments requested by the Company and
being delivered by all other holders of Common stock, if any.

9. **Notification of Certain Events.** Prior to the expiration of this Warrant, in the ev

(a) the issuance of any dividend or other distribution on the capital stock of th

(b) the voluntary liquidation, dissolution or winding up of the Company; or

(c) any transaction or series of related transactions resulting in the expirat
disposition of all or substantially all of the assets of the Company and its subsidiaries taken a
except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Com

the Company shall send to the Holder of this Warrant at least 20 days prior written notice
distribution specified in clause (a) or the expected effective date of any such other event spe
this section may be shortened or waived prospectively or retrospectively by the consent of th

10. **No Rights as a Stockholder.** Nothing contained herein shall entitle the Holde
holder of any securities that may at any time be issuable on the exercise of the rights hereu
to confer upon the Holder, as such, any right to vote for the election of directors or upon any
withhold consent to any corporate action (whether upon any recapitalization, issuance of sto
par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings
stockholder of the Company until the rights under the Warrant shall have been exercised a
have become deliverable as provided herein.

11. **Miscellaneous.**

(a) ***Amendments.*** Except as expressly provided herein, neither this Warrant n
other than by a written instrument referencing this Warrant and signed by the Company and

(b) ***Waivers.*** No waiver of any single breach or default shall be deemed a waiv

(c) ***Notices.*** All notices and other communications required or permitted her
mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, me

(i) if to the Holder:

Honeywell AC
c/o Honeywell I
855 S. M
Charlotte
Attention: Anne Madd
Ema

or at such other address as the Holde

with a
Blank R
1271 Six
New York
Attention: Kathle
Email: Kathleen.cunnin

If to the

ESS Te
26550 SW Parkw
Wilsonvill
Attention: Ke
Ema

with a copy (which shall

Wilson Sonsini Go
650 Pag
Palo Alto
Attention: Mark Bauc
Email: mbaudler@wsgr.c

or at such other address as the Comp

Each such notice or other communication shall for all purposes of this Warra
messenger or courier service, when delivered (or if sent via a nationally-recognized overnigh
one business day after deposit with the courier), or (ii) if sent by mail, at the earlier of its
maintained receptacle for the deposit of the United States mail, addressed and mailed as af
or, (iv) if sent via electronic mail, upon confirmation of delivery when directed to the releva
recipient, or if not sent during normal business hours of the recipient, then on the recipient's

(d) ***Governing Law.*** This Warrant and all actions arising out of or in connecti
with the laws of the State of Delaware, without regard to the conflicts of law provisions of the

(e) ***Jurisdiction and Venue.*** Each of the Holder and the Company hereby subr
of the State of Delaware and the United States District Court for the District of Delaware fo
Each of the Holder and the Company also agrees that the jurisdiction over such persons an
process or other papers in connection with any such action in the manner provided for in Se
such manner shall constitute valid and sufficient service of process.

(f) ***Titles and Subtitles.*** The titles and subtitles used in this Warrant are us
interpreting this Warrant. All references in this Warrant to sections, paragraphs and exhib
hereof and exhibits attached hereto.

(g) ***Severability.*** If any provision of this Warrant becomes or is declared by
portions of such provision, or such provision in its entirety, to the extent necessary, shall
provision shall be replaced with a valid and enforceable provision that will achieve, to the ex
illegal, unenforceable or void provision. The balance of this Warrant shall be enforceable in ac

(h) ***Waiver of Jury Trial***. **EACH OF THE HOLDER AND THE COMPANY WAIVES,
TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OT**

(i) ***Saturdays, Sundays and Holidays.*** If the last or appointed day for the takin
shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such ri
Sunday or U.S. federal holiday.

(j) ***Rights and Obligations Survive Exercise of the Warrant.*** Except as otherw
Holder under this Warrant shall survive exercise of this Warrant.

(k) ***Entire Agreement.*** Except as expressly set forth herein, this Warrant (in
constitute the entire agreement and understanding of the Company and the Holder with re
and understandings relating to the subject matter hereof.

(l) ***Further Assurances***. Each of the Company and the Holder agrees to exec
company, partnership or other powers, all such other and additional instruments and do
necessary to more fully effectuate this Warrant.

(*signature page follows*

The Company and the Holder sign this Warrant as of the date stated on the first page.

By: /s

Name

Title: C

26550 S
W

AGREED AND ACKNOWLE

HONEYWELL ACS VENTUR

By its managing memb

HONEYWELL INTERNATION

By: James Steinberg

Name: James Steinberg

Title: Senior Vice President, Corporate Developm

Address:

Honeywell ACS Ventures

c/o Honeywell Internation
855 S. Mint Street
Charlotte, NC 28202
(Signature page to Warra

EXHIBIT A

NOTICE OF EXERCISE
(To be signed only upon exercise

To: ESS Tech, Inc.
Attention: CFO

1. The undersigned, the Holder of the attached Warrant No. -[], hereby irrevocably elects to exercise th
shares of Common Stock of ESS Tech, Inc. as

__ ¨ Exercise for Cash. Pursuant to Section 1(b)(i) of the Warrant, the Holder hereby elects to exercise the W
the order of ESS Tech, Inc. in the amount

__ ¨ Net Exercise. Pursuant to Section 1(b)(ii) of the Warrant, the Holde

2. The undersigned requests that the certificates or book entry position evidencing the shares to be acq
following:

Name:
Address:
Email:
SSN:

3. The undersigned understands, agrees ar

(a) No federal or state agency has made any finding or determination as to the fairness of the i

(b) All certificates or book entry positions evidencing the shares of Common Stock may bear a legend su
resale restrictions.

4. By its signature below the undersigned hereby represents and warrants that it is an "accredited inves
Act of 1933, as amended, and agrees (i) to be bound by the terms and conditions of the attached War
as are set forth in Section 4 of the Purcl

Dated: ________________

(Signature must conform in all respects to name of the Holder

Signature:____
By:__________
Its:__________

EXHIBIT B

NOTICE OF ASSIGNMENT F

FOR VALUE RECEIVED, [____________] (the “**Assignor**”) hereby sells, assigns and transfers all of the rig
number of shares of Common Stock of ESS Tech, Inc. (the “**Company**”) covered thereby set forth belo
and warrants to the Company that the transfer is in compliance with Section 7 of t

Name of Assignee:
Address/Fax Number:

Signature

____
Witness

ASSIGNEE ACKNOWLEDGM

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signatu
defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, an
hereof, including Section 7 th

Signature

Address:

B-1

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER T
SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERW
UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICAB
ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFA
HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURIT
ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYP
HEREBY.

WARRANT TO PURCHASE SHARES OF
of
ESS TECH, INC.
Dated as of September 21
Void after the Expiration

No. 2

THIS CERTIFIES THAT, for value received, UOP LLC, or its registered assigns (the “***H***
conditions set forth herein, to purchase from ESS Tech, Inc., a Delaware corporation (the “***Co***
share (the “***Shares***”), in the amounts, at such times and at the price per share set forth in S
and any warrants delivered in substitution or exchange therefor as provided herein. This
Common Stock and Warrant Purchase Agreement, dated as of September 21, 2023, by and
Agreement”), and the other Transaction Documents (as defined in the Purchase Agreement).

The following is a statement of the rights of the Holder and the conditions to whic
Warrant, agrees:

1. **Number and Price of Shares; Exercise Period.**

(a) ***Number of Shares.*** Subject to any previous exercise of the Warrant, the H
adjusted pursuant hereto, prior to (or in connection with) the expiration of this Warrant as p

(b) ***Exercise Price.*** The exercise price per Share shall be equal to $2.90, subjec

---

(c) ***Exercise Period.*** This Warrant shall be exercisable, in whole or in part, pric
Section 8.

2. **Exercise of the Warrant.**

(a) While this Warrant remains outstanding and exercisable in accordance wi
with Section 4 herein, by either:

(i) wire transfer to the Company or cashier's check drawn on a United

(ii) in the event that (1) there is no effective registration statement all
Warrant Shares or (2) this Warrant is being exercised in connection with an expiration event
Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares on the

(b) Notwithstanding anything herein to the contrary, the Holder shall not be
Holder has purchased all of the Warrant Shares available hereunder and the Warrant has
Warrant to the Company for cancellation within three trading days of the date the final No
Exercise") is delivered to the Company. Partial exercises of this Warrant resulting in pur
hereunder shall have the effect of lowering the outstanding number of Warrant Shares pu
Warrant Shares purchased. The Holder and the Company shall maintain records showing the

(c) Net Exercise. If the Company shall receive written notice from the Hold
Exercise the Warrant, the Company shall deliver to such Holder (without payment by the
computed using the following formula:

X = Y (A -
A

Where

X = The number of Warrant Share

Y = The number of Warrant Shares purchasable under this Warrant or, if onl
being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock (at the date of such

B = The Exercise Price (as adjusted hereunder to the date of such calculation

The "***Fair Market Value***" of one share of Common Stock as of a particular date shall be deter
deemed to be the average of the closing prices of the Common Stock on such exchange over
Net Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the average of
Stock over the fifteen (15) day period ending two business days prior to the date of Net Ex
either of the foregoing bases, the price determined in good faith by the Company's Board of
hereof, the "Fair Market Value" shall be equal to the per share price received by such holders
For the avoidance of doubt, "***the date of Net Exercise***" shall be the date the Holder's written r

(d) ***Deemed Exercise***. In the event that immediately prior to the close of bu
Common Stock (as determined in accordance with Section 1(c) above) is greater than th
automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the
Holder pursuant to the provisions of Section 1(c) above and this Section 1(d); provided that
want this Warrant to be exercised pursuant to this Section 1(d), the terms of this Secti
automatically exercised and shall terminate on the Expiration Date.

(e) ***Stock Certificates.*** The rights under this Warrant shall be deemed to hav
deemed to have been issued immediately prior to the close of business on the date this Warr
receive the Shares issuable upon such exercise shall be treated for all purposes as the hol
Within three business days, the Company shall issue and deliver to the person or persons e
or evidence of book-entry for that number of shares issuable upon such exercise. In the eve
expired, the Company shall execute and deliver a new Warrant reflecting the number of Share

(f) ***No Fractional Shares or Scrip.*** No fractional shares or scrip representing
this Warrant. In lieu of such fractional share to which the Holder would otherwise be entitle
multiplied by such fraction.

(g) ***Reservation of Stock.*** The Company covenants that during the period th
and unissued Common Stock a sufficient number of shares of Common Stock (or other sec
other securities) upon the exercise of this Warrant. The Company represents and warrants t
when issued in accordance with the terms hereof, be validly issued, fully paid and nonassessa

3. **Replacement of the Warrant.** Upon the receipt of evidence reasonably satisfac
Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreemen
the case of mutilation, on surrender and cancellation of this

Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new w

4. **Mechanics of Exercise.** This Warrant may be exercised by the holder hereof, in
agency of the Company as it may designate by notice in writing to the registered Holder at
completed and duly executed copy of the Notice of Exercise by mail or email attachment to
elected to Net Exercise) then in effect with respect to the number of Warrant Shares as to w
have been exercised immediately prior to the close of business on the date of the delivery
person entitled to receive the Warrant Shares issuable upon such exercise shall be treated f
business on such date. The Company shall, as promptly as practicable, and in any event by th
to the Company of the Notice of Exercise and payment of the aggregate Exercise Price (unle
instruct the transfer agent for the Common Stock to record the issuance of Warrant Shares
transfer agent's regular procedures. The Warrant Shares shall be deemed to have been is
therein shall be deemed to have become a holder of record of such shares for all purpose
Company of the Exercise Price (or by Net Exercise) and all taxes required to be paid by the ho

5. Compliance with Securities Laws; Restrictive Legend.

(a) The Holder hereby represents: (i) that this Warrant and any securities to b
investment for the Holder's own account and not with a view to the resale or distribution o
defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as ame
certificates for the Common Stock, the Company will require the Holder to deliver to the Co
status, investment intent, acquisition for its own account and such other matters as are rea
private offering as set forth in the form of Notice of Exercise.

(b) The Holder understands that this Warrant and the Warrant Shares are c
inasmuch as they are being acquired from the Company in a transaction not involving a pu
Warrant and the Warrant Shares may be resold without registration under the Securities A
represents that it is familiar with Rule 144 under the Securities Act, as presently in effect, a
Securities Act.

(c) Prior and as a condition to the sale or transfer of the Warrant Shares i
Company such certificates, representations, agreements and other information as the
reasonably may require to confirm that such sale or transfer is being made pursuant to a
requirements of the Securities Act, or pursuant to an effective registration statement. In conn

transfer of Warrant Shares that is being made pursuant to an exemption from, or in a transa
or pursuant to an effective registration statement, the Company shall provide to the tra
Company's counsel, or other counsel reasonably acceptable to the Company, as the trans
Shares.

(d) The Holder acknowledges that the Company may place a restrictive legen
Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable se
its transfer agent in connection with such restrictions.

6. Transfer of the Warrant.

(a) Subject to compliance with applicable federal and state securities laws ar
respect to any or all of the Warrant Shares purchasable hereunder. For a transfer of this War
Company, together with the Notice of Assignment in the form attached hereto as Exhibit B d
issue a new Warrant of the same denomination to the assignee. For a transfer of this W
hereunder, upon surrender of this Warrant to the Company, together with the Notice of As
executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in
to the Holder a new Warrant covering the number of shares in respect of which this Warrant

(b) This Warrant is exchangeable, without expense, at the option of the Holc
warrants of different denominations entitling the holder thereof to purchase in the ag
hereunder. This Warrant may be divided or combined with other warrants that carry the
Company together with a written notice specifying the denominations in which new warran
term "Warrants" as used herein includes any warrants into which this Warrant may be dividec

(c) ***Taxes.*** In no event shall the Company be required to pay any tax which ma
of any certificate, or a book entry, in a name other than that of the Holder, and the Compar
such book entry, unless and until the person or persons requesting the issue or entry there
established to the satisfaction of the Company that such tax has been paid or is not payable.

7. **Adjustments.** Subject to the expiration of this Warrant pursuant to Section 8, t
Price therefor are subject to adjustment from time to time, as follows:

(a) ***Merger or Reorganization.*** If at any time there shall be any reorganization
the Company (other than as otherwise provided for herein or as would cause the expiration
are converted into or exchanged for securities, cash or other property, then, as a condition to

Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and am
resulting from such Reorganization, equivalent in value to that which a holder of the Shares
such Reorganization if the right to purchase the Shares hereunder had been exercised im
adjustment (as determined in good faith by the Board of Directors of the successor corpora
with respect to the rights and interests of the Holder after such Reorganization to the end th
near as reasonably may be, in relation to any shares or other securities deliverable after that

(b) ***Reclassification of Shares.*** If the securities issuable upon exercise of this
of any other class or classes by reclassification, capital reorganization or otherwise (other t
condition to any such Reclassification, in lieu of the number of Shares which the Holder wo

right thereafter to exercise this Warrant for a number of shares of such other class or clas
exercise of this Warrant immediately before that change would have been entitled to receiv
herein with respect to such other shares.

(c) ***Subdivisions and Combinations.*** In the event that the outstanding shares
dividend or otherwise) into a greater number of shares of such securities, the number of Sha
prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be pr
decreased, and in the event that the outstanding shares of common stock are combined (b
securities, the number of Shares issuable upon exercise of the rights under this Warran
effectiveness of such combination, be proportionately decreased, and the Exercise Price shal

(d) ***Notice of Adjustments.*** Upon any adjustment in accordance with this Sec
a certificate of an officer of the Company setting forth the nature of such adjustment and
based, including setting forth in reasonable detail the method of calculation of each. The cer
following the adjustment and (iii) the number of securities and the amount, if any, of other p
of this Warrant.

8. **Expiration of the Warrant**. This Warrant shall expire and

(a) 5:00 p.m., Pacific time, on

(b) Upon the consummation of an acquisition of the Company by another e
which the Company is a party (including, without limitation, any stock acquisition, reorganiza
raising purposes and any transaction effected primarily for purposes of changing the Comp
related transactions in which the holders of the voting securities of the Company outstanding

immediately prior to such transaction or series of related transactions retain, immediately a
the Company held by such holders prior to such transaction or series of transactions, at lea
voting securities of the Company or such other surviving or resulting entity (or if the Co
subsidiary immediately following such acquisition, its parent), all Warrants at the closing of su
received by holders of Company Common Stock in such transaction or series of related tr
greater than the price per share to be received by holders of Company Common Stock in suc
cashless basis as set forth in Section 2 hereof, or (ii) in the event that the holders of Com
transaction, be deemed automatically terminated without any further action required by any
the right, with respect to each Share for which this Warrant was exercisable immediate
consideration payable in respect of one share of the Company's Common Stock in such tran
any agreements and delivering certificates and instruments requested by the Company and
being delivered by all other holders of Common stock, if any.

9. **Notification of Certain Events.** Prior to the expiration of this Warrant, in the ev

(a) the issuance of any dividend or other distribution on the capital stock of th

(b) the voluntary liquidation, dissolution or winding up of the Company; or

(c) any transaction or series of related transactions resulting in the expirat
disposition of all or substantially all of the assets of the Company and its subsidiaries taken a
except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Com

the Company shall send to the Holder of this Warrant at least 20 days prior written notice
distribution specified in clause (a) or the expected effective date of any such other event spe
this section may be shortened or waived prospectively or retrospectively by the consent of th

10. **No Rights as a Stockholder.** Nothing contained herein shall entitle the Holde
holder of any securities that may at any time be issuable on the exercise of the rights hereu
to confer upon the Holder, as such, any right to vote for the election of directors or upon any
withhold consent to any corporate action (whether upon any recapitalization, issuance of sto
par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings

stockholder of the Company until the rights under the Warrant shall have been exercised a
have become deliverable as provided herein.

11. **Miscellaneous.**

(a) ***Amendments.*** Except as expressly provided herein, neither this Warrant n
other than by a written instrument referencing this Warrant and signed by the Company and

(b) ***Waivers.*** No waiver of any single breach or default shall be deemed a waiv

(c) ***Notices.*** All notices and other communications required or permitted her
mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, me

(i) if to the Holder:

UO
c/o Honeywell I
855 S. M
Charlotte
Attention: Anne Madd
Ema

or at such other address as the Holde

with a
Blank R
1271 Six
New York
Attention: Kathle
Email: Kathleen.cunnir

If to the

ESS Te
26550 SW Parkw
Wilsonvill
Attention: Ke
Ema

with a copy (which shall

Wilson Sonsini Goo
650 Pag
Palo Alto
Attention: Mark Bauc
Email: mbaudler@wsgr.c

or at such other address as the Comp

Each such notice or other communication shall for all purposes of this Warra
messenger or courier service, when delivered (or if sent via a nationally-recognized overnigh
one business day after deposit with the courier), or (ii) if sent by mail, at the earlier of its
maintained receptacle for the deposit of the United States mail, addressed and mailed as af
or, (iv) if sent via electronic mail, upon confirmation of delivery when directed to the releva
recipient, or if not sent during normal business hours of the recipient, then on the recipient's

(d) ***Governing Law.*** This Warrant and all actions arising out of or in connectio
with the laws of the State of Delaware, without regard to the conflicts of law provisions of the

(e) ***Jurisdiction and Venue.*** Each of the Holder and the Company hereby subı
of the State of Delaware and the United States District Court for the District of Delaware fo
Each of the Holder and the Company also agrees that the jurisdiction over such persons an
process or other papers in connection with any such action in the manner provided for in Se
such manner shall constitute valid and sufficient service of process.

(f) ***Titles and Subtitles.*** The titles and subtitles used in this Warrant are us
interpreting this Warrant. All references in this Warrant to sections, paragraphs and exhib
hereof and exhibits attached hereto.

(g) ***Severability.*** If any provision of this Warrant becomes or is declared by
portions of such provision, or such provision in its entirety, to the extent necessary, shall
provision shall be replaced with a valid and enforceable provision that will achieve, to the ex
illegal, unenforceable or void provision. The balance of this Warrant shall be enforceable in ac

(h) ***Waiver of Jury Trial.*** **EACH OF THE HOLDER AND THE COMPANY WAIVES,**
TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OT

(i) ***Saturdays, Sundays and Holidays.*** If the last or appointed day for the takir
shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such ri
Sunday or U.S. federal holiday.

(j) ***Rights and Obligations Survive Exercise of the Warrant.*** Except as otherv
Holder under this Warrant shall survive exercise of this Warrant.

(k) ***Entire Agreement.*** Except as expressly set forth herein, this Warrant (in
constitute the entire agreement and understanding of the Company and the Holder with re
and understandings relating to the subject matter hereof.

(l) ***Further Assurances***. Each of the Company and the Holder agrees to exec
company, partnership or other powers, all such other and additional instruments and do
necessary to more fully effectuate this Warrant.

(*signature page follows*

The Company and the Holder sign this Warrant as of the date stated on the first page.

By: /s

Name

Title: C

26550 S
W

AGREED AND ACKNOWLE

UOP LLC

By: /s/ Ryan Wagley

Name: Ryan Wagley

Title: General Counsel

Address:

UOP LLC
c/o Honeywell Internation
855 S. Mint Street
Charlotte, NC 28202

(Signature page to Warra

EXHIBIT A

NOTICE OF EXERCISE
(To be signed only upon exercise

To: ESS Tech, Inc.
Attention: CFO

1. The undersigned, the Holder of the attached Warrant No. -[], hereby irrevocably elects to exercise th shares of Common Stock of ESS Tech, Inc. as

__ ¨ Exercise for Cash. Pursuant to Section 1(b)(i) of the Warrant, the Holder hereby elects to exercise the W the order of ESS Tech, Inc. in the amount

__ ¨ Net Exercise. Pursuant to Section 1(b)(ii) of the Warrant, the Holde

2. The undersigned requests that the certificates or book entry position evidencing the shares to be acq following:

Name:
Address:
Email:
SSN:

3. The undersigned understands, agrees ar

(a) No federal or state agency has made any finding or determination as to the fairness of the i

(b) All certificates or book entry positions evidencing the shares of Common Stock may bear a legend su resale restrictions.

4. By its signature below the undersigned hereby represents and warrants that it is an "accredited inves Act of 1933, as amended, and agrees (i) to be bound by the terms and conditions of the attached War as are set forth in Section 4 of the Purc

Dated: ________________

(Signature must conform in all respects to name of the Holder

Signature:____
By:_________
Its:__________

EXHIBIT B

NOTICE OF ASSIGNMENT F

FOR VALUE RECEIVED, [____________] (the "**Assignor**") hereby sells, assigns and transfers all of the rig
number of shares of Common Stock of ESS Tech, Inc. (the "**Company**") covered thereby set forth belo
and warrants to the Company that the transfer is in compliance with Section 7 of t

Name of Assignee:
Address/Fax Number:

Signature

____
Witness

ASSIGNEE ACKNOWLEDGM

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signatu
defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, an
hereof, including Section 7 th

Signature

Address:

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER T
SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERW
UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICAB
ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFA
HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURIT
ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYP
HEREBY.

WARRANT TO PURCHASE SHARES OF
of
ESS TECH, INC.
Dated as of September 21
Void after the Expiration

No. 3

THIS CERTIFIES THAT, for value received, UOP LLC, or its registered assigns (the "***H***
conditions set forth herein, to purchase from ESS Tech, Inc., a Delaware corporation (the "***Co***

share (the "***Shares***"), in the amounts, at such times and at the price per share set forth in S
and any warrants delivered in substitution or exchange therefor as provided herein. This W
Common Stock and Warrant Purchase Agreement, dated as of September 21, 2023, by and
Agreement"), and the other Transaction Documents (as defined in the Purchase Agreemen
Supply Agreement by and between the Company and the Holder.

The following is a statement of the rights of the Holder and the conditions to whic
Warrant, agrees:

1. **Number and Price of Shares; Exercise Period.**

(a) ***Number of Shares.*** Subject to any previous exercise of the Warrant, the H
adjusted pursuant hereto, prior to (or in connection with) the expiration of this Warrant as pr

(b) ***Exercise Price.*** The exercise price per Share shall be equal to $1.45, subjec

---

(c) ***Exercise Period.*** This Warrant shall be exercisable, in whole or in part, pric
Section 8.

2. **Exercise of the Warrant.**

(a) While this Warrant remains outstanding and exercisable in accordance wi
with Section 4 herein, by either:

(i) wire transfer to the Company or cashier's check drawn on a United

(ii) in the event that (1) there is no effective registration statement allo
Warrant Shares or (2) this Warrant is being exercised in connection with an expiration event
Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares on the d

(b) Notwithstanding anything herein to the contrary, the Holder shall not be
Holder has purchased all of the Warrant Shares available hereunder and the Warrant has
Warrant to the Company for cancellation within three trading days of the date the final No
Exercise") is delivered to the Company. Partial exercises of this Warrant resulting in pur
hereunder shall have the effect of lowering the outstanding number of Warrant Shares pu
Warrant Shares purchased. The Holder and the Company shall maintain records showing the

(c) Net Exercise. If the Company shall receive written notice from the Holde
Exercise the Warrant, the Company shall deliver to such Holder (without payment by the
computed using the following formula:

X = Y (A -
A

Where

X = The number of Warrant Share

Y = The number of Warrant Shares purchasable under this Warrant or, if onl being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock (at the date of such

B = The Exercise Price (as adjusted hereunder to the date of such calculation

The "***Fair Market Value***" of one share of Common Stock as of a particular date shall be deter deemed to be the average of the closing prices of the Common Stock on such exchange over Net Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the average of Stock over the fifteen (15) day period ending two business days prior to the date of Net Ex either of the foregoing bases, the price determined in good faith by the Company's Board of hereof, the "Fair Market Value" shall be equal to the per share price received by such holders For the avoidance of doubt, "***the date of Net Exercise***" shall be the date the Holder's written r

(d) ***Deemed Exercise***. In the event that immediately prior to the close of bu Common Stock (as determined in accordance with Section 1(c) above) is greater than th automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the Holder pursuant to the provisions of Section 1(c) above and this Section 1(d); provided that want this Warrant to be exercised pursuant to this Section 1(d), the terms of this Secti automatically exercised and shall terminate on the Expiration Date.

(e) ***Stock Certificates.*** The rights under this Warrant shall be deemed to hav deemed to have been issued immediately prior to the close of business on the date this Warr receive the Shares issuable upon such exercise shall be treated for all purposes as the hol Within three business days, the Company shall issue and deliver to the person or persons e or evidence of book-entry for that number of shares issuable upon such exercise. In the eve expired, the Company shall execute and deliver a new Warrant reflecting the number of Share

(f) ***No Fractional Shares or Scrip.*** No fractional shares or scrip representing this Warrant. In lieu of such fractional share to which the Holder would otherwise be entitle multiplied by such fraction.

(g) ***Reservation of Stock.*** The Company covenants that during the period th and unissued Common Stock a sufficient number of shares of Common Stock (or other sec other securities) upon the exercise of this Warrant. The Company represents and warrants t when issued in accordance with the terms hereof, be validly issued, fully paid and nonassess

3. **Replacement of the Warrant.** Upon the receipt of evidence reasonably satisfac Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreemer the case of mutilation, on surrender and cancellation of this

Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new

4. **Mechanics of Exercise.** This Warrant may be exercised by the holder hereof, in agency of the Company as it may designate by notice in writing to the registered Holder at completed and duly executed copy of the Notice of Exercise by mail or email attachment to elected to Net Exercise) then in effect with respect to the number of Warrant Shares as to have been exercised immediately prior to the close of business on the date of the delivery person entitled to receive the Warrant Shares issuable upon such exercise shall be treated f business on such date. The Company shall, as promptly as practicable, and in any event by th to the Company of the Notice of Exercise and payment of the aggregate Exercise Price (unle instruct the transfer agent for the Common Stock to record the issuance of Warrant Shares transfer agent's regular procedures. The Warrant Shares shall be deemed to have been is therein shall be deemed to have become a holder of record of such shares for all purpose Company of the Exercise Price (or by Net Exercise) and all taxes required to be paid by the ho

5. **Compliance with Securities Laws; Restrictive Legend.**

(a) The Holder hereby represents: (i) that this Warrant and any securities to b
investment for the Holder's own account and not with a view to the resale or distribution o
defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as ame
certificates for the Common Stock, the Company will require the Holder to deliver to the Co
status, investment intent, acquisition for its own account and such other matters as are rea
private offering as set forth in the form of Notice of Exercise.

(b) The Holder understands that this Warrant and the Warrant Shares are c
inasmuch as they are being acquired from the Company in a transaction not involving a pu
Warrant and the Warrant Shares may be resold without registration under the Securities A
represents that it is familiar with Rule 144 under the Securities Act, as presently in effect, a
Securities Act.

(c) Prior and as a condition to the sale or transfer of the Warrant Shares i
Company such certificates, representations, agreements and other information as the
reasonably may require to confirm that such sale or transfer is being made pursuant to a
requirements of the Securities Act, or pursuant to an effective registration statement. In conn

transfer of Warrant Shares that is being made pursuant to an exemption from, or in a transa
or pursuant to an effective registration statement, the Company shall provide to the tra
Company's counsel, or other counsel reasonably acceptable to the Company, as the trans
Shares.

(d) The Holder acknowledges that the Company may place a restrictive legen
Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable se
its transfer agent in connection with such restrictions.

6. Transfer of the Warrant.

(a) Subject to compliance with applicable federal and state securities laws an
respect to any or all of the Warrant Shares purchasable hereunder. For a transfer of this War
Company, together with the Notice of Assignment in the form attached hereto as Exhibit B d
issue a new Warrant of the same denomination to the assignee. For a transfer of this W
hereunder, upon surrender of this Warrant to the Company, together with the Notice of As
executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in
to the Holder a new Warrant covering the number of shares in respect of which this Warrant

(b) This Warrant is exchangeable, without expense, at the option of the Hold
warrants of different denominations entitling the holder thereof to purchase in the ag
hereunder. This Warrant may be divided or combined with other warrants that carry the
Company together with a written notice specifying the denominations in which new warran
term "Warrants" as used herein includes any warrants into which this Warrant may be divide

(c) ***Taxes.*** In no event shall the Company be required to pay any tax which ma
of any certificate, or a book entry, in a name other than that of the Holder, and the Compar
such book entry, unless and until the person or persons requesting the issue or entry there
established to the satisfaction of the Company that such tax has been paid or is not payable.

7. **Adjustments.** Subject to the expiration of this Warrant pursuant to Section 8, t
Price therefor are subject to adjustment from time to time, as follows:

(a) ***Merger or Reorganization.*** If at any time there shall be any reorganization
the Company (other than as otherwise provided for herein or as would cause the expiration
are converted into or exchanged for securities, cash or other property, then, as a condition to

Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and am
resulting from such Reorganization, equivalent in value to that which a holder of the Shares
such Reorganization if the right to purchase the Shares hereunder had been exercised im

adjustment (as determined in good faith by the Board of Directors of the successor corpora
with respect to the rights and interests of the Holder after such Reorganization to the end t
near as reasonably may be, in relation to any shares or other securities deliverable after that

(b) ***Reclassification of Shares.*** If the securities issuable upon exercise of this
of any other class or classes by reclassification, capital reorganization or otherwise (other t
condition to any such Reclassification, in lieu of the number of Shares which the Holder wo
right thereafter to exercise this Warrant for a number of shares of such other class or clas
exercise of this Warrant immediately before that change would have been entitled to receiv
herein with respect to such other shares.

(c) ***Subdivisions and Combinations.*** In the event that the outstanding shares
dividend or otherwise) into a greater number of shares of such securities, the number of Sha
prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be pr
decreased, and in the event that the outstanding shares of common stock are combined (b
securities, the number of Shares issuable upon exercise of the rights under this Warran
effectiveness of such combination, be proportionately decreased, and the Exercise Price shal

(d) ***Notice of Adjustments.*** Upon any adjustment in accordance with this Sec
a certificate of an officer of the Company setting forth the nature of such adjustment and
based, including setting forth in reasonable detail the method of calculation of each. The cer
following the adjustment and (iii) the number of securities and the amount, if any, of other p
of this Warrant.

8. **Expiration of the Warrant**. This Warrant shall expire and

(a) 5:00 p.m., Pacific time, on

(b) Upon the consummation of an acquisition of the Company by another e
which the Company is a party (including, without limitation, any stock acquisition, reorganiza
raising purposes and any transaction effected primarily for purposes of changing the Comp
related transactions in which the holders of the voting securities of the Company outstanding

immediately prior to such transaction or series of related transactions retain, immediately a
the Company held by such holders prior to such transaction or series of transactions, at lea
voting securities of the Company or such other surviving or resulting entity (or if the Co
subsidiary immediately following such acquisition, its parent), all Warrants at the closing of su
received by holders of Company Common Stock in such transaction or series of related t
greater than the price per share to be received by holders of Company Common Stock in suc
cashless basis as set forth in Section 2 hereof, or (ii) in the event that the holders of Con
transaction, be deemed automatically terminated without any further action required by any
the right, with respect to each Share for which this Warrant was exercisable immediate
consideration payable in respect of one share of the Company's Common Stock in such tran
any agreements and delivering certificates and instruments requested by the Company and
being delivered by all other holders of Common stock, if any.

9. **Notification of Certain Events.** Prior to the expiration of this Warrant, in the ev

(a) the issuance of any dividend or other distribution on the capital stock of th

(b) the voluntary liquidation, dissolution or winding up of the Company; or

(c) any transaction or series of related transactions resulting in the expirat
disposition of all or substantially all of the assets of the Company and its subsidiaries taken a
except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Com

the Company shall send to the Holder of this Warrant at least 20 days prior written notice
distribution specified in clause (a) or the expected effective date of any such other event spe
this section may be shortened or waived prospectively or retrospectively by the consent of th

10. **No Rights as a Stockholder.** Nothing contained herein shall entitle the Holde holder of any securities that may at any time be issuable on the exercise of the rights hereu to confer upon the Holder, as such, any right to vote for the election of directors or upon an withhold consent to any corporate action (whether upon any recapitalization, issuance of sto par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings stockholder of the Company until the rights under the Warrant shall have been exercised a have become deliverable as provided herein.

11. **Miscellaneous.**

(a) ***Amendments.*** Except as expressly provided herein, neither this Warrant n other than by a written instrument referencing this Warrant and signed by the Company and

(b) ***Waivers.*** No waiver of any single breach or default shall be deemed a waiv

(c) ***Notices.*** All notices and other communications required or permitted her mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, me

(i) if to the Holder:

UO
c/o Honeywell I
855 S. M
Charlotte
Attention: Anne Madd
Ema

or at such other address as the Holde

with a
Blank R
1271 Six
New York
Attention: Kathle
Email: Kathleen.cunnir

If to the

ESS Te
26550 SW Parkw
Wilsonvill
Attention: Ke
Ema

with a copy (which shall

Wilson Sonsini Go
650 Pag
Palo Alto
Attention: Mark Bauc
Email: mbaudler@wsgr.c

or at such other address as the Comp

Each such notice or other communication shall for all purposes of this Warra messenger or courier service, when delivered (or if sent via a nationally-recognized overnigh one business day after deposit with the courier), or (ii) if sent by mail, at the earlier of its maintained receptacle for the deposit of the United States mail, addressed and mailed as af

or, (iv) if sent via electronic mail, upon confirmation of delivery when directed to the releva
recipient, or if not sent during normal business hours of the recipient, then on the recipient's

(d) ***Governing Law.*** This Warrant and all actions arising out of or in connectic
with the laws of the State of Delaware, without regard to the conflicts of law provisions of the

(e) ***Jurisdiction and Venue.***Each of the Holder and the Company hereby subi
of the State of Delaware and the United States District Court for the District of Delaware fo
Each of the Holder and the Company also agrees that the jurisdiction over such persons an
process or other papers in connection with any such action in the manner provided for in Se
such manner shall constitute valid and sufficient service of process.

(f) ***Titles and Subtitles.*** The titles and subtitles used in this Warrant are us
interpreting this Warrant. All references in this Warrant to sections, paragraphs and exhib
hereof and exhibits attached hereto.

(g) ***Severability.*** If any provision of this Warrant becomes or is declared by
portions of such provision, or such provision in its entirety, to the extent necessary, shall
provision shall be replaced with a valid and enforceable provision that will achieve, to the ex
illegal, unenforceable or void provision. The balance of this Warrant shall be enforceable in a

(h) ***Waiver of Jury Trial.*****EACH OF THE HOLDER AND THE COMPANY WAIVES,**
TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OT

(i) ***Saturdays, Sundays and Holidays.*** If the last or appointed day for the takir
shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such ri
Sunday or U.S. federal holiday.

(j) ***Rights and Obligations Survive Exercise of the Warrant.*** Except as otherv
Holder under this Warrant shall survive exercise of this Warrant.

(k) ***Entire Agreement.*** Except as expressly set forth herein, this Warrant (in
constitute the entire agreement and understanding of the Company and the Holder with re
and understandings relating to the subject matter hereof.

(l) ***Further Assurances***. Each of the Company and the Holder agrees to exec
company, partnership or other powers, all such other and additional instruments and do
necessary to more fully effectuate this Warrant.

(*signature page follows*

The Company and the Holder sign this Warrant as of the date stated on the first page.

By: /s

Name

Title: C

26550 S
W

AGREED AND ACKNOWLE

UOP LLC

By: /s/ Ryan Wagley

Name: Ryan Wagley

Title: General Counsel

Address:

UOP LLC
c/o Honeywell Internationa
855 S. Mint Street
Charlotte, NC 28202

(Signature page to Warra

EXHIBIT A

NOTICE OF EXERCISE
(To be signed only upon exercise

To: ESS Tech, Inc.
Attention: CFO

1. The undersigned, the Holder of the attached Warrant No. -[], hereby irrevocably elects to exercise th shares of Common Stock of ESS Tech, Inc. as

__ ¨ Exercise for Cash. Pursuant to Section 1(b)(i) of the Warrant, the Holder hereby elects to exercise the W the order of ESS Tech, Inc. in the amount

__ ¨ Net Exercise. Pursuant to Section 1(b)(ii) of the Warrant, the Holde

2. The undersigned requests that the certificates or book entry position evidencing the shares to be acq following:

Name:
Address:
Email:
SSN:

3. The undersigned understands, agrees ar

(a) No federal or state agency has made any finding or determination as to the fairness of the i

(b) All certificates or book entry positions evidencing the shares of Common Stock may bear a legend su resale restrictions.

4. By its signature below the undersigned hereby represents and warrants that it is an "accredited inves Act of 1933, as amended, and agrees (i) to be bound by the terms and conditions of the attached War as are set forth in Section 4 of the Purcl

Dated: ________________

(Signature must conform in all respects to name of the Holder

Signature:____
By:_________
Its:__________

EXHIBIT B

NOTICE OF ASSIGNMENT F

FOR VALUE RECEIVED, [_____________] (the "**Assignor**") hereby sells, assigns and transfers all of the rig
number of shares of Common Stock of ESS Tech, Inc. (the "**Company**") covered thereby set forth belo
and warrants to the Company that the transfer is in compliance with Section 7 of t

Name of Assignee:
Address/Fax Number:

Signature

____
Witness

ASSIGNEE ACKNOWLEDGM

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signatu
defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, an
hereof, including Section 7 th

Signature

Address:

B-1

REGISTRATION RIGHTS AGREE

This Registration Rights Agreement (this "**Agreement**") is made and entered into as of September 21, 2
"**Company**"), and Honeywell ACS Ventures LLC ("**ACS**"). The terms used herein, but not defined herein shall have the m

RECITALS

WHEREAS, the Company and ACS entered into a Common Stock and Warrant Purchase Agreement of even da
WHEREAS, ACS has purchased from and the Company has issued to ACS shares of the Company's Class comm
WHEREAS, ACS has purchased from and the Company has issued to ACS Warrants to purchase shares of Com
NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties ag

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms and variations thereof have t

"**Agreement**" shall have the meaning given in the Preamble.

"**Board**" shall mean the Board of Directors of the Company.

"**Business Day**" means any day other than a Sunday or a day on which the Federal Reserve Bank of New York

"**Commission**" shall mean the Securities and Exchange Commission.

"**Common Stock**" shall have the meaning given in the Recitals hereto.

"**Company**" shall have the meaning given in the Preamble.

"**Effectiveness Deadline**" shall have the meaning given in subsection 2.1.1.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as it may be amended from time to time.

"**Form S-1**" shall mean a Registration Statement on Form S-1.

"**Form S-3**" shall have the meaning given in subsection 2.1.1.

"**Holder**" or "**Holders**" shall mean ACS and/or its transferees and assignees which execute a joinder to this Agr

"**Misstatement**" shall mean, in the case of a Registration Statement, an untrue statement of a material fac Prospectus, an untrue statement of material fact or an omission to state a material fact necessary to make the statem

"**New Registration Statement**" shall have the meaning given in subsection 2.1.4.

"**Piggyback Registration**" shall have the meaning given in subsection 2.3.1.

"**Prospectus**" shall mean the prospectus included in any Registration Statement, as supplemented by any ar and including all material incorporated by reference in such prospectus.

"**Registrable Security**" shall mean (a) any shares of Common Stock or warrants issued to Holder or UOP p Stock issued to the Holder or UOP upon exercise of any warrants issued to the Holder or UOP pursuant to the Purch issued or issuable with respect to any such shares of Common Stock held by Holder or UOP by way of a stock divic consolidation or reorganization,; provided, however, that, as to any particular Registrable Security, such security sha respect to the offer or sale of such securities shall have become effective under the Securities Act; (B) such security s security not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent p such security shall have ceased to be outstanding; (D) such security has been sold to, or through, a broker, dealer or u may be sold without registration pursuant to Rule 144 promulgated under the Securities Act (or any successor ru limitations or conditions) and the Company has caused its counsel to deliver an opinion to such effect to the Holder ar

"**Registration**" shall mean a registration effected by preparing and filing a registration statement or similar rules and regulations promulgated thereunder, and such registration statement becoming effective.

"**Registration Expenses**" shall mean the documented out-of-pocket expenses of a Registration, including, wit

(A) all registration and filing fees (including fees with respect to filings required to be made with the Financial on which the Common Stock is then listed;

(B) fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disburseme Securities);

(C) printing, messenger, telephone and delivery expenses;

(D) reasonable fees and disbursements of counsel for the Company, including the cost of rendering any opinio

(E) reasonable fees and disbursements of all independent registered public accountants of the Company inc comfort letter; and

(F) reasonable fees and expenses of one (1) legal counsel for all holders of registrable securities to be registe interest of the Registrable Securities in a Resale Registration Statement.

Notwithstanding the foregoing, under no circumstances shall the Company be obligated to pay any fees, di Securities.

"**Registration Statement**" shall mean any registration statement (including a registration statement filed pu the provisions of this Agreement, including the Prospectus included in such registration statement, amendments (incl exhibits to and all material incorporated by reference in such registration statement.

"Resale Shelf Registration Statement" shall have the meaning given in subsection 2.1.1.

"**Securities Act**" shall mean the Securities Act of 1933, as amended from time to time.

"**Supply Agreement**" shall mean that certain Master Supply Agreement entered into by and between the Con

"**Suspension Event**" shall have the meaning given in Section 3.4.

"**Underwriter**" shall mean a securities dealer who purchases any Registrable Securities as principal in an Unde

"**Underwritten Registration**" or "**Underwritten Offering**" shall mean a Registration in which securities of t to the public.

"**UOP**" shall mean UOP LLC.

ARTICLE II
REGISTRATION

Section 2.1 Resale Shelf Registration Rights

2.1.1 Registration Statement Covering Resale of Registrable Securities. The Company shall prepar
(i) such date on which the Company files its Quarterly Report on Form 10-Q for the quarterly period ended Septembe
Registration Statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Secu
the Registrable Securities held by Holder then outstanding (the "**Resale Shelf Registration Statement**"). The Resale
by the Company at such time, on Form S-1 or another appropriate form permitting Registration of such Registrable S
efforts to cause the Resale Shelf Registration Statement to be declared effective as soon as practicable after filing, but
notifies the Company that it will "review" the Registration Statement) following the filing of the Resale Shelf Registr
(orally or in writing, whichever is earlier) by the Commission that the Resale Shelf Registration Statement will not b
Deadline"). Once effective, the Company shall use commercially reasonable efforts to keep the Resale Shelf Registrat
necessary to ensure that such Registration Statement is available or, if not available, to ensure that another Registrat
and other securities covered by such Registration Statement have been disposed of in accordance with the intende
Registrable Securities. The Registration Statement filed with the Commission pursuant to this subsection 2.1.1 shall c
pursuant to Rule 415 under the Securities Act (or any successor or similar provision adopted by the Commission the
shall provide that such Registrable Securities may be sold pursuant to any method or combination of methods legally

2.1.2 Notification and Distribution of Materials. The Company shall notify the Holder in writing c
any event within one (1) Business Day after the Resale Shelf Registration Statement becomes effective, and shall furr
(including any amendments, supplements and exhibits), the Prospectus contained therein (including each prelir
incorporated by reference in the Resale Shelf Registration Statement or such other documents as the Holders may r
described in the Resale Shelf Registration Statement.

2.1.3 Amendments and Supplements. Subject to the provisions of Section 2.1.1 above, the
amendments and supplements to the Resale Shelf Registration Statement and Prospectus used in connection there
comply with the provisions of the Securities Act with respect to the disposition of all the Registrable Securities. If any
thereafter the Company becomes ineligible to use Form S-3 for secondary sales, the Company shall promptly notify th
an appropriate form as promptly as practicable to replace the shelf registration statement on Form S-3 and have
practicable and to cause such replacement Resale Shelf Registration Statement to remain effective, and to be supple
Statement is available or, if not available, that another Resale Shelf Registration Statement is available, for the resale
ceased to be Registrable Securities; provided, however, that at any time the Company once again becomes eligib
Statement to be amended, or shall file a new

replacement Resale Shelf Registration Statement, such that the Resale Shelf Registration Statement is once again on F

2.1.4 Notwithstanding the registration obligations set forth in this Section 2.1, in the event the
the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Co
efforts to file amendments to the Resale Shelf Registration Statement as required by the Commission and/or (ii) with
Registration Statement"), on Form S-3, or if Form S-3 is not then available to the Company for such registration s
secondary offering.

Section 2.2 [Intentionally omitted]

Section 2.3 Piggyback Registration

2.3.1 Piggyback Rights. If, at any time on or after the date hereof, the Company proposes to
securities, or securities or other obligations exercisable or exchangeable for, or convertible into equity securities, for it
by the stockholders of the Company), other than a Registration Statement (i) filed in connection with any employee s
the Company's existing stockholders, (iii) for an offering of debt that is convertible into equity securities of the Co
Business Combination or (vi) filed pursuant to Section 2.1 hereof, then the Company shall give written notice of such
practicable but not less than ten (10) days before the anticipated filing date of such Registration Statement, which no
intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, in
register the sale of such number of Registrable Securities as such Holders may request in writing within five (5) day
Company shall, in good faith, cause such Registrable Securities to be included in such Piggyback Registration and sh
Underwritten Offering to permit the Registrable Securities requested by the Holders pursuant to this Subsection 2.3.1
securities of the Company included in such Registration and to permit the sale or other disposition of such Registra
Holders proposing to distribute their Registrable Securities through an Underwritten Offering under this Sub
Underwriter(s) selected for such Underwritten Offering by the Company.

2.3.2 Reduction of Piggyback Registration. If the managing Underwriter or Underwriters in an
Company and the Holders of Registrable Securities participating in the Piggyback Registration in writing that the doll
together with (i) the shares of Common Stock, if any, as to which Registration has been demanded pursuant to sep
Registrable Securities hereunder, (ii) the Registrable Securities as to which registration has been requested pursuant to
been requested pursuant to separate written contractual piggy-back registration rights of other stockholders of the C

(i) If the Registration is undertaken for the Company's account, the Company shall include in any su
to sell, which can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the
Registrable Securities of Holders exercising their rights to register their Registrable Securities pursuant to Subsectio
Holder has so requested, which can be sold without exceeding the Maximum Number of Securities; and (C) third,
foregoing clauses (A) and (B), Common Stock, if any, as to which Registration has been requested pursuant to written
be sold without exceeding the Maximum Number of Securities; and

(ii) If the Registration is pursuant to a request by persons or entities other than the Holders of Regis
Stock or other equity securities, if any, of such requesting persons or entities, other than the Holders of Registra

(B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause
Securities pursuant to subsection 2.3.1, pro rata based on the respective number of Registrable Securities that eac
number of Registrable Securities that the Holders have requested to be included in such Underwritten Registration,
extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A) and (B), Com
without exceeding the Maximum Number of Securities; and (D) fourth, to the extent that the Maximum Number of Se
other equity securities for the account of other persons or entities that the Company is obligated to register pursuan
sold without exceeding the Maximum Number of Securities.

2.3.3 Piggyback Registration Withdrawal. Any Holder of Registrable Securities shall have the righ
notification to the Company and the Underwriter or Underwriters (if any) of his, her or its intention to withdraw fro
with the Commission with respect to such Piggyback Registration. The Company (whether on its own good faith de
written contractual obligations) may withdraw a Registration Statement filed with the Commission in connection
Statement. Notwithstanding anything to the contrary in this Agreement, the Company shall be responsible for the
withdrawal under this subsection 2.3.3.

2.3.4 Right to Terminate Registration. The Company shall have the right to terminate or withd
registration whether or not any Holder of Registrable Securities has elected to include securities in such registration."

ARTICLE III

COMPANY PROCEDURES

Section 3.1 General Procedures. If at any time on or after the date of this Agreement, the Company
reasonable best efforts to effect such Registration to permit the sale of such Registrable Securities in accordance w
expeditiously as possible:

3.1.1 prepare and file with the Commission as soon as practicable a Registration Statement w
Registration Statement to become effective and remain effective until all Registrable Securities covered by such Registr

3.1.2 prepare and file with the Commission such amendments and post-effective amendm
reasonably requested by the Holders or any Underwriter of Registrable Securities or as may be required by the rules,
the Securities Act or rules and regulations thereunder to keep the Registration Statement effective until all Registrable
plan of distribution set forth in such Registration Statement or supplement to the Prospectus or are no longer outstar

3.1.3 prior to filing a Registration Statement or Prospectus, or any amendment or suppleme
Exchange Act), furnish without charge to the Underwriters, if any, and the Holders of Registrable Securities included in
proposed to be filed, each amendment and supplement to such Registration Statement (in each case including all exh
such Registration Statement (including each preliminary Prospectus), and such other documents as the Underwriters a

Securities included in such Registration or the legal counsel for any such Holders may request in order to facilitate the

3.1.4 prior to any public offering of Registrable Securities, use its reasonable best efforts to (i) reg
securities or "blue sky" laws of such jurisdictions in the United States as the Holders of Registrable Securities included
and (ii) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be re
virtue of the business and operations of the Company and do any and all other acts and things that may be necessa
Statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, tha
where it would not otherwise be required to qualify or take any action to which it would be subject to general service c

3.1.5 cause all such Registrable Securities to be listed on each securities exchange or automated

3.1.6 provide a transfer agent or warrant agent, as applicable, and registrar for all such Registrabl

3.1.7 advise each seller of such Registrable Securities, promptly after it shall receive notice or obt
effectiveness of such Registration Statement or the initiation or threatening of any proceeding for such purpose an
obtain its withdrawal if such stop order should be issued;

3.1.8 advise each Holder of Registrable Securities covered by such Registration Statement,
statement has been declared effective or a supplement to any Prospectus (excluding any current or periodic repor
statement has been filed;

3.1.9 at least five (5) days prior to the filing of any Registration Statement or Prospectus or any
current or periodic report filed under Section 13 or 15(d) of the Exchange Act), furnish a copy

3.1.10 notify the Holders at any time when a Prospectus relating to such Registration Statement i
of which the Prospectus included in such Registration Statement, as then in effect, includes a Misstatement, and then

3.1.11 permit a representative of the Holders, the Underwriters, if any, and any attorney or acc
expense, in the preparation of the Registration Statement, and cause the Company's officers, directors and employe
attorney or accountant in connection with the Registration; provided, however, that such representatives or Underw
to the Company, prior to the release or disclosure of any such information;

3.1.12 obtain a "cold comfort" letter from the Company's independent registered public accou
matters of the type customarily covered by "cold comfort" letters as the managing Underwriter may reasonably reque

3.1.13 on the date the Registrable Securities are delivered for sale pursuant to an Underwritte
counsel representing the Company for the purposes of such Underwritten Registration, addressed to the Underwrit
which such opinion is being given as the managing Underwriter may reasonably request and as are customarily incl
managing Underwriter;

3.1.14 in the event of any Underwritten Offering, enter into and perform its obligations under a
such offering;

3.1.15 make available to its security holders, as soon as reasonably practicable, an earnings stat
Company's first full calendar quarter after the effective date of the Registration Statement which satisfies the pro

rule promulgated thereafter by the Commission); provided, that the Company will not have any obligation to prov
system;

3.1.16 if the Registration involves the Registration of Registrable Securities involving gross procee
the Company to participate in customary "road show" presentations that may be reasonably requested by the Underv

3.1.17 otherwise, in good faith, cooperate reasonably with, and take such customary actions as m

Section 3.2 Registration Expenses. The Registration Expenses of all Registrations shall be borne by the Co
expenses relating to the sale of Registrable Securities, such as Underwriters' commissions and discounts, broker
"***Registration Expenses***," all reasonable fees and expenses of one legal counsel representing the Holders not to exceed

Section 3.3 Requirements for Participation in Underwritten Offerings. No person may participate in
initiated by the Company hereunder unless such person (i) agrees to sell such person's securities on the basis prov
executes all customary questionnaires, powers of attorney, indemnities, lock-up agreements, underwriting agreement
underwriting arrangements. Notwithstanding anything in this Agreement to the contrary, if any Holder does not co
such information with respect to such Holder as the Company reasonably requests for use in connection with any
within two (2) Business Days prior to filing the filing of the applicable "red herring" prospectus or prospectus supple
Registration Statement or Prospectus if the Company determines, based on the advice of counsel, that such informat
such information.

Section 3.4 Suspension of Sales. Upon receipt of written notice from the Company that a Registratio
discontinue disposition of Registrable Securities until he, she or it has received copies of a supplemented or amende
covenants to prepare and file such supplement or amendment as soon as practicable after the time of such notice), o
be resumed. Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to delay or
require the Holders not to sell under a Registration Statement or to suspend the effectiveness thereof, if the negotia
event has occurred, which negotiation, consummation or event the Board reasonably believes would require addition
Company has a bona fide business purpose for keeping confidential and the non-disclosure of which in the Registratio
Registration Statement to fail to comply with applicable disclosure requirements (each such circumstance, a "**Suspens**
Statement for the shortest period of time, but in no event more than thirty (30) days, determined in good faith by th
Company of the happening of any Suspension Event during the period that a Registration Statement is effective or i
any Misstatement, the Holders agree that (i) they will immediately discontinue offers and sales of the Shares under su
to Rule 144) until the Holders receive copies of a supplemental or amended prospectus (which the Company agrees t
that any post-effective amendment has become effective or unless otherwise notified by the Company that it may re
included in such written notice delivered by the Company unless otherwise required by law or subpoena. If so dir
discretion destroy, all copies of the prospectus covering the Shares in such Holder's possession; provided, however, th
not apply (i) to the extent the Holder is required to

retain a copy of such prospectus (a) in order to comply with applicable legal, regulatory, self-regulatory or professiona
or (ii) to copies stored electronically on archival servers as a result of automatic data back-up.

Section 3.5 Reporting Obligations. As long as any Holder shall own Registrable Securities, the Company,
timely (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be file
Act and to promptly furnish the Holders with true and complete copies of all such filings; provided that any documen
furnished or delivered to the Holders pursuant to this Section. The Company further covenants that it shall take such
to time to enable such Holder to sell shares of Common Stock held by such Holder without registration under the Sec
the Securities Act (or any successor rule promulgated thereafter by the Commission), including providing any legal
deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requir

ARTICLE IV

INDEMNIFICATION AND CONTRI

Section 4.1 Indemnification

4.1.1 The Company agrees to indemnify, to the extent permitted by law, each Holder of Registrable
(within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses (including reaso
same are caused by or contained in any information furnished in writing to the Company by such Holder expressly for

4.1.2 In connection with any Registration Statement in which a Holder of Registrable Securities
affidavits as the Company reasonably requests for use in connection with any such Registration Statement or Prosp
officers and agents and each person who controls the Company (within the meaning of the Securities Act) against a
attorneys' fees) resulting from any actual Misstatement, but only to the extent that such actual or alleged Misstateme
writing by or on behalf of such Holder expressly for use therein; provided, however, that the obligation to indemnify s
liability of each such Holder of Registrable Securities shall be in proportion to and limited to the net proceeds rece
Statement.

4.1.3 Any person entitled to indemnification herein shall (i) give prompt written notice to the in
the failure to give prompt notice shall not impair any person's right to indemnification hereunder to the extent
indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties ma
such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying
without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled
expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim,
between such indemnified party and any other of such indemnified parties with respect to such claim. No indemn
withheld or delayed, consent to the entry of any judgment or enter into any settlement which cannot be settled in al
pursuant to the terms of such settlement) and which settlement does not include as an unconditional term thereof th
respect to such claim or litigation.

4.1.4 The indemnification provided for under this Agreement shall remain in full force and effect
director or controlling person of such indemnified party and shall survive the transfer of securities. The Company an

provisions as are reasonably requested by any indemnified party for contribution to such party in the event the Comp

4.1.5 If the indemnification provided under Section 4.1 hereof from the indemnifying party is held indemnified party in respect of any losses, claims, damages, liabilities and expenses referred to herein, then the inden paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities and expenses in such indemnified party, as well as any other relevant equitable considerations. The relative fault of the indemnifying party any action in question, including any actual or alleged Misstatement, was made by, or relates to information supp indemnified party's relative intent, knowledge, access to information and opportunity to correct or prevent such act limited to the amount of the net proceeds received by such Holder in such offering giving rise to such liability. The am shall be deemed to include, subject to the limitations set forth in subsections 4.1.1, 4.1.2 and 4.1.3 above, any legal or investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant allocation, which does not take account of the equitable considerations referred to in this subsection 4.1.5. No person Act) shall be entitled to contribution pursuant to this subsection 4.1.5 from any person who was not guilty of such frau

ARTICLE V
GENERAL PROVISIONS

Section 5.1 Entire Agreement. Except as expressly set forth herein, this Agreement (including t Agreement) constitute the entire agreement and understanding of the Company and the Holder with respect to the su subject matter hereof.

Section 5.2 Notices. All notices and other communications required or permitted hereunder shall be in wr electronic mail or otherwise delivered by hand, messenger or courier service addressed:

(a) if to the Holder:

Honeywell ACS Ventures
c/o Honeywell Internation
855 S. Mint Street
Charlotte, NC 28202
Attention: Anne Madden and Jak
Email: [...]

with a copy (which shall not consti

Blank Rome LLP
1271 Sixth Avenue
New York, NY 10020
Attention: Kathleen A. Cunn
Email: Kathleen.cunningham@blankrome.com or at such other address

(b) if to the Compan

ESS Tech, Inc.
26550 SW Parkway Ave., B
Wilsonville, OR 9707(
Attention: Kelly F. Goodr
Email: [...]

with a copy (which shall not consti

Wilson Sonsini Goodrich & Ro
650 Page Mill Rd

Palo Alto, CA 94304
Attention: Mark Baudler, Lianna
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com or at such other addre

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having bee nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business d after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addre when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not se

Section 5.3 Assignment; No Third-Party Beneficiaries. This Agreement and the rights, duties and ob whole or in part. This Agreement and the rights, duties and obligations of the Holders of Registrable Securities he conjunction with and to the extent of any transfer of Registrable Securities by any such Holder. This Agreement and parties and the permitted assigns of the applicable holder of Registrable Securities or of any assignee of the applical benefits on any persons that are not party hereto other than as expressly set forth in Article 4 and this Section 5.3. N shall be binding upon or obligate the Company unless and until the Company shall have received a joinder to this A made other than as provided in this Section 5.3 shall be null and void.

Section 5.4 Counterparts. This Agreement may be executed in one or more counterparts, all of which more counterparts have been signed by each of the parties (including by electronic signature covered by the U.S. fe Records Act or other applicable law, e.g., www.docusign.com) and delivered to the other parties, it being understood t by the parties hereto via facsimile or electronic transmission.

Section 5.5 **Amendment; Waiver**. This Agreement may be amended or modified, and any provision h
executed by (i) the Company, and (ii) holders of a majority of the Registrable Securities held at such time; provided, h
materially and adversely affects one Holder, solely in his, her or its capacity as a holder of the shares of capital stock
capacity) shall require the consent of the Holder so affected. No waiver of any single breach or default shall be deemed

Section 5.6 **Severability**.. If any provision of this Agreement becomes or is declared by a court of com
provision in its entirety, to the extent necessary, shall be severed from this Agreement, and such illegal, unenforceable
to the extent possible, the same economic, business and other purposes of the illegal, unenforceable or void provision

Section 5.7Governing Law.This Agreement and all actions arising out of or in connection with this Agreemen
without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

Section 5.8 Jurisdiction and Venue. Each of the Holder and the Company hereby submits and consents irr
States District Court for the District of Delaware for the interpretation and enforcement of the provisions of this Agree
and the Company also agrees that the jurisdiction over such persons and the subject matter of such dispute shall be e
manner provided for in Section 9.3 or in such other manner as may be lawful, and that service in such manner shall con

Section 5.9Specific Performance. Each party acknowledges and agrees that money damages would not be
in the event of any breach or threatened breach of this Agreement, (a) the party seeking specific performance will be en

injunctive and other equitable relief, without proof of actual damages; (b) the party against whom specific performanc
the party against whom specific performance is sought agrees to waive any applicable right or requirement that a
Agreement, but will be in addition to all other remedies available at law or in equity.

Section 5.10 **Term**. This Agreement shall terminate with respect to any Holder upon the date as of which su
any termination.

Section 5.11 **Titles and Subtitles**. The titles and subtitles used in this Agreement are used for conveni
references in this Agreement to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections an

Section 5.12 **Waiver of Jury Trial**. EACH OF THE HOLDER AND THE COMPANY WAIVES, TO THE FULL
PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEM

Section 5.13 **Saturdays, Sundays and Holidays**. If the last or appointed day for the taking of any action o
federal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a

Section 5.14 **Further Assurances**. Each of the Company and the Holder agrees to execute and deliver, by
all such other and additional instruments and documents and do all such other acts and things as may be reasonably r

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the date first written above.

COMPANY:
ESS TECH, INC.

By: /s/ Eric P. Dresselhuys
Name: Eric P. Dresselhuys
Title: Chief Executive Officer

[Signature Page to Registration Rights

HOLDER:

HONEYWELL ACS VENTURES LLC

By its managing member:

HONEYWELL INTERNATIONAL INC.

By: /s/ James Steinberg
Name: James Steinberg
Title: Senior Vice President, Corporate Development

and Global Head of M&A

[Signature Page to Registration Rights

This JOINDER AND AGREEMENT (this "Joinder") is made this [ ] by the undersigned (the "Joining Party"), purs
dated as of September 21, 2023 by and between ESS Tech, Inc. (the "Company") and Honeywell ACS Ventures LLC ("A
defined herein shall have the meanings ascribed to them in the Registration Rights Agreement.

WITNESSETH:

WHEREAS, concurrently with the execution and delivery of this Joinder, each Joining Party shall become a party

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good an
parties hereby agree as follows:

1. Each Joining Party acknowledges and agrees that by execution and delivery of this Joinder, such Join
subject to the terms, conditions, restrictions, representations, warranties, obligations, agreements and covenants set f
copy of the Registration Rights Agreement.

2. Notwithstanding the place where this Joinder may be executed by the undersigned, each Joining Part
State of Delaware, without regard to conflicts of laws and principles thereof.

3. If any term, provision, covenant or restriction of this Joinder is held to be invalid, illegal, void or unenfo
shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

[Signature Page Follo

IN WITNESS WHEREOF, the undersigned have entered into this Joinder as of the date first above stated.

JOINING PARTY:

[ ]

Acknowledged and Agreed:

ESS TECH, INC.

By: ______________________

Name:

Title:

COMMON STOCK AND WARRANT PURC

This Common Stock and Warrant Purchase Agreement (this "**Agreement**") is dated corporation (the "**Company**"), and Honeywell ACS Ventures LLC (the "**Investor**"). Capitalized assigned to such terms in **Schedule I** hereto.

RECITALS

WHEREAS, the Company and the Investor are entering into this Agreement, and ot Investor will purchase from the company the Shares and the Warrants (each as defined herei

NOW, **THEREFORE**, in consideration of the mutual promises of the parties contained receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound

SECTION 1

AUTHORIZATION, SALE AND ISSUANCE, ALLOC

1.1 **Authorization.** The Company will, prior to the Closing (as defined bel common stock, par value $0.0001 per share, of the Company (such stock, the "**Common Sto** (the "**Investment Warrant**"), for the purchase of up to 10,631,633 shares of Common Stock (the "**IP Warrant**" and together with the Investment Warrant, the "**Warrants**"), for the purcha and together with the Investment Warrant Shares and the Additional Tranche Warrant Share

1.2 **Sale and Issuance of Shares.** Subject to the terms and conditions of th Investor will purchase from the Company the Shares in exchange for the aggregate purchas shall, at the Closing, be issued free and clear of all Liens.

1.3 **Sale and Issuance of Warrants.** Subject to the terms hereof, at the Clos be allocated to the portion of the Tax Purchase Price (as defined below) allocable to such Investment Warrant is being issued as further consideration for the Investor's purchase fro UOP LLC as further consideration for UOP LLC's licensing to the Company of certain lic concurrently herewith.

1.4 **Allocation of Purchase Price**.

a. The allocation of the Purchase Price (together with all other amounts c purposes) (the "**Tax**

Purchase Price") for United States federal, state and local tax purpos

i. Within ninety (90) days following the Closing, the Company shall pr among the Shares and the Investment Warrant in accordance with Section 1060 of the Intern applicable law (the "**Company Draf**

ii. If the Investor disagrees with the Company Draft Allocation, the Ir
Allocation, deliver a notice (the "**Investor Allocation Notice**") to the Company to such effect,
the Investor's proposed allocation of the Tax Purchase Price. If an Investor Allocation Notice
(30) days following such delivery, use commercially reasonable efforts to reach agreement or
the Tax Purchase Pric

iii. If the Investor and the Company are unable to reach such agreeme
in writing to extend the negotiation timeline) submit all matters that remain in dispute wi
Company Draft Allocation marked to indicate those line items not in dispute) to an indeper
Investor and the Company (the "**Reviewing Accountant**"). The Investor and the Company sh
than thirty (30) days following the submission of such dispute, based solely on the written s
other hand. The Reviewing Accountant shall adjust the Company Draft Allocation based on th
be performed by the Reviewing Accountant shall be

iv. the Company Draft Allocation, as prepared by the Company if the
with Section 1.4(a)(ii), as adjusted pursuant to any agreement between the Investor and th
fraud or a final determination to the contrary by a taxing authority, be conclusive and b

v. the Investor and the Company shall, and shall cause their respecti
Purchase Price to reflect any subsequent adjustments to the consideration paid f

b. The Company, the Investor, and their respective Affiliates agree to file all
inconsistent therewith except as required by a "determination" within the meaning of S

SECTION 2

CLOSING AND DELIVEI

2.1 **Closing.** Thepurchase and sale of the Shares and Warrants shall take pl
Investor mutually agree upon in writing (which date is designated as the "**Closing**").

2.2 **Deliveryand Payment.** At the Closing, the Company shall deliver to th
transfer agent instructing the transfer agent to deliver, on an expedited basis, a book-entry
Investor of the Shares and Warrants, against payment of the Purchase Price therefor by
designated by the Company; (b) evidence from transfer agent that the transfer agent has rec
the Shares and Warrants; and (c) fully executed copies of the Warrants.

SECTION 3

REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants to the Investor as of the Closing that
hereto are true and correct.

SECTION 4

REPRESENTATIONS AND WARRANTIES

The Investor hereby represents and warrants (and covenants, as applicable) to the Cor

4.1 **Organization, Good Standing and Qualification.** The Investor is a
standing under the laws of the State of Connecticut. The Investor has the requisite power an
business as presently conducted, to execute and deliver this Agreement, to purchase th
obligations pursuant to this Agreement. The Investor is presently qualified to do business as
would reasonably be expected to have a material adverse effect on the Investor's financial co
business is in the State of North Carolina.

4.2 **Authorization**. All action on the part of the Investor and its members ar
each Transaction Document to which the Investor is a party by the Investor, the purchase of
of all of the Investor's obligations under each Transaction Document to which the Investor is
to which the Investor is a party, when executed, constitutes the valid and binding obligatic
(a) as limited by laws of general application relating to bankruptcy, insolvency and the relief o

limited by rules of law governing specific performance, injunctive relief or other equitable ren

4.3 **Accredited Investor**. The Investor is an "accredited investor" within the n
Securities Act and shall submit to the Company such further assurances of such status as ma

4.4 **Investment Intent; Blue Sky.** The Investor acknowledges that it is acqu
for its own account, not as a nominee or agent, and not with a view to, or for resale in conne
the Shares, the Warrants and the Warrant Shares have not been, and, except as set forth
Securities Act by reason of a specific exemption from the registration provisions of the Secu
the bona fide nature of the Investor's investment intent and the accuracy of the Investor's
herein represents the Investor's true and correct state of domicile, upon which the Company

4.5 **Restrictions on Transfer; Restrictive Legends**. It understands that the tr
by applicable state and federal securities laws and by the provisions of this Agreement, an
Warrants Shares will be imprinted with legends in the following form restricting transfer exce

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECUR
> LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERW
> UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPL
> THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASON
> TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND
> SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECE
> INTEREST IN ANY OF THE SHARES OR WARRANTS REPRESENTED HEREBY.

Notwithstanding anything to the contrary, the legend requirements shall terminate w
Act pursuant to the Registration Rights Agreement or otherwise and disposed of pursuant
reasonably satisfactory to it that such legend is not required in order to insure compliance
remove the legend required by this Agreement as soon as the Shares and Warrant Shares ar

4.6 **Access to Data**. The Investor acknowledges that it has access to and the
by the Investor in the

course of its due diligence. The Investor further acknowledges that the Investor has (a) rece
Company in response to all inquiries in respect thereof, and (b) been given the opportunity t
upon the information it has received from the Company, the representations set forth in th
investigations made by the Investor and/or its representatives, if any, in making the decision

4.7 **Brokers or Finders.** The Investor has not engaged any brokers, finders o
as a result of any action taken by such Investor, any liability for brokerage or finders' fees
Agreement.

4.8 **Tax Advisors.** The Investor has reviewed with such Investor's own tax ad
investment and the transactions contemplated by this Agreement. With respect to such
statements or representations of the Company or any of its agents, written or oral (except
Investor understands that such Investor (and not the Company) shall be responsible for such
or the transactions contemplated by this Agreement.

4.9 **Acknowledgement by Investor**. The Investor is not relying and has not
subject matter of this Agreement (including the schedules and exhibits hereto), except for th
this Agreement, including the schedules hereto. The representations and warranties made b
sole and exclusive representations and warranties of the Company in connection with
understands, acknowledges and agrees that all other representations and warranties of ar
disclaimed by the Company.

4.10 **No "Bad Actor" Disqualification**. The Investor is not subject to any of th
under the Securities Act.

4.11 **Additional Information**. The Investor will furnish any additional informa
applicable U.S. federal and state securities laws, or upon the request of the Company's tr

Warrants and Warrant Shares.

SECTION 5
CONDITIONS TO INVESTOR'S OBLIGA

The Investor's obligation to purchase the Shares and Warrants at the Closing is sub
conditions, unless waived in writing by the Investor:

5.1 **Representations and Warranties.** The representations and warrantie
material respects as of the Closing.

5.2 **Covenants.** The Company shall have performed or complied with all co
performed or complied with by the Company on or prior to the Closing in all material respect

5.3 **Transaction Documents**. The Company shall have duly executed and
Company is a party.

SECTION 6
CONDITIONS TO COMPANY'S OBLIGA

The Company's obligation to sell and issue the Shares and the Warrants at the Closi
conditions, unless waived in writing by the Company:

6.1 **Representations and Warranties.** The representations and warranties
respects as of the Closing.

6.2 **Covenants.** The Investor shall have performed or complied with all cov
performed or complied with by the Investor on or prior to the Closing in all material respects

6.3 **PurchasePrice**. The Investor shall have delivered to the Company the Pur

6.4 **Transaction Documents**. The Investor shall have duly executed and deliv
is a party.

SECTION 7
COVENANTS

7.1 **Exchange Act filings.** The Company shall, by 9:00 a.m., New York City ti
Agreement, issue one or more press releases or file with the Commission a Current Repo
material terms of the transactions contemplated hereby. The Company shall provide a copy
filing any such document and shall incorporate in good faith any suggested edits to any Dis
not make or issue any other press releases or otherwise make any public statements or
transactions contemplated herein without the Investor's express prior approval (which may
than three (3) business days)) except (i) to the extent such disclosure is required by law or r
trading market regulations or (ii) if the form and substance of such disclosure

previously has been approved of by the Investor in compliance with this Section 7.1. Followin
its required disclosures pursuant to the Exchange Act such that all information related to th
by the Investor, the Company shall remove any legends on any of the Shares, Warrants or
eligible for sale under Rule 144.

7.2 **Publicity.** The parties agree to consult with each other reasonably and i
announcements relating to this Agreement, which shall be agreed in advance by the parti
provided that a party may not unreasonably withhold, condition or delay consent to such rel
press releases or disclosures to the Securities and Exchange Commission or other applic
counsel, is reasonably necessary to comply with applicable laws or the rules and regulatio
such press releases or disclosures previously has been approved of by the other party in c
with advance written notice at least three business days prior to any legally required disclos
it reasonably determines necessary under applicable laws.

7.3 **Material Non-Public Information**. At 12:01 A.M. on the day after the Co
call for such fiscal quarter, an earnings release, SEC filing or otherwise), the parties agree tha
in writing that it reasonably believes that Investor is in possession of MNPI.

7.4 **Notification of Certain Events.**

a. Notification of Certain Events. For as long as the Investor or any of its Affi
ownership of fifty percent (50%) or more of the common stock beneficially owned by Inves
convertible securities held by the Investor), the Company shall provide written notice to Inves

i. Upon the determination by the Company that it has received a
Company, acting in good faith, authorizes the Company to pursue for an in

ii. Prior to the Company commencing an offering of equity or co

the Company shall send written notice to the Investor (I) in respect of subsection 7.4(a)(i) abo
7.4(a)(ii) above, at least ten (10) days prior to the Company commencing such offering of equ
terms of any such transaction including offering prices and the ap

The Investor shall not have any rights to notice under this Section 7.4 of issuance
contractors of the Company to the extent approved by the Company's governing body, wheth

employment agreements, advisory agreements, or otherwise in their capacities as such (ii) as
for any business or assets thereof acquired or licensed by any means by the Company or any
other right described in any of clauses (i) through (ii).

7.5 **Dribble Out**. The Investor shall not in any month sell, transfer or assign,
Common Stock is then listed or quoted, Shares or Warrant Shares to another Person if the
month would exceed 3% of the shares of the Company then outstanding, and in any seven-
exchange or quotation system on which the Common Stock is then listed or quoted, Shares
so sold, transferred or assigned in such seven-day period would exceed 1% of the shares of
7.6 shall not restrict a block (as defined pursuant to Rule 10b-18(a)(5) under the Exchange A
Shares to an Affiliate or any sale of Shares or Warrant Shares by the Investor pursuant t
contained in this Agreement, the Investor shall reserve the right to sell, transfer or assign
Investor, in excess of 20% of the outstanding shares of Common Stock of the Company.

SECTION 8
VOTING

8.1 **Agreement to Vote**. The Investor agrees that so long as the Investor be
percent (5%) or more of the Company's then outstanding shares of Common Stock, at any a
postponement thereof, the Investor shall, in each case, to the fullest extent that the Shares
Investor: (i) appear at each such meeting or otherwise cause all such Shares or Warrant S
quorum and (ii) be present (in person or by proxy) and vote (or cause to be voted) all of the S

For the avoidance of doubt, the foregoing commitments in this Section 8.1 apply to
holding Shares or Warrant Shares over which the Investor exercises direct or indirect voting

SECTION 9
MISCELLANEOUS

9.1 **Amendment.** Except as expressly provided herein, neither this Agree
terminated other than by a written instrument referencing this Agreement and signed by the

9.2 **Waivers.** No waiver of any single breach or default shall be deemed a waiv

9.3 **Notices.** All notices and other communications required or permitted he
mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, me

a. if to the Investor:

Honeywell ACS Ve
c/o Honeywell Inter
855 S. Mint S
Charlotte, NC
Attention: Anne Madden a
Email: [...

with a copy (which shall not con

Blank Rome
1271 Sixth Av
New York, NY
Attention: Kathleen A.
Email: Kathleen.cunningham@blankrome.com or at such other ad

b. if to the Company:

ESS Tech, I
26550 SW Parkway
Wilsonville, OR
Attention: Kelly F.
Email: [...

with a copy (which shall not con

Wilson Sonsini Goodric
650 Page Mi
Palo Alto, CA
Attention: Mark Baudler,
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com or at such other

Each such notice or other communication shall for all purposes of this Agreement messenger or courier service, when delivered (or if sent via a nationally-recognized overnigh one business day after deposit with the courier), (ii) if sent by mail, at the earlier of its maintained receptacle for the deposit of the United States mail, addressed and mailed as a when directed to the relevant electronic mail address, if sent during normal business hou recipient, then on the recipient's next business day.

9.4 **Governing Law.** This Agreement and all actions arising out of or in connection with the laws of the State of Delaware, without regard to the conflicts of law provisions of the

9.5 **Jurisdiction and Venue.** Each of the Investor and the Company hereby submit the State of Delaware and the United States District Court for the District of Delaware for t and all actions arising out of or in connection with this Agreement. Each of the Investor and t subject matter of such dispute shall be effected by the mailing of process or other papers in 9.3 or in such other manner as may be lawful, and that service in such manner shall constitut

9.6 **Titles and Subtitles**. The titles and subtitles used in this Agreement are use interpreting this Agreement. All references in this Agreement to sections, paragraphs and ex hereof and exhibits attached hereto.

9.7 **Severability**. If any provision of this Agreement becomes or is declared by portions of such provision, or such provision in its entirety, to the extent necessary, shall b provision shall be replaced with a valid and enforceable provision that will achieve, to the e illegal, unenforceable or void provision. The balance of this Agreement shall be enforceable in

9.8 **Waiver of Jury Trial**. EACH OF THE INVESTOR AND THE COMPANY WAIVES, TO TH JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARI

9.9 Saturdays, Sundays and Holidays. If the last or appointed day for the taking shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such ri Sunday or U.S. federal holiday.

9.10 Survival. The representations and warranties of the Company and the Investor this Agreement for a period of two (2) years from the date of the Closing and shall in no w thereof made by or on behalf of the Investor or the Company.

9.11 Specific Performance. Each party acknowledges and agrees that money dam breach) of Section 8 by it and that, in the event of any breach or threatened breach of S injunctive and other equitable relief, without proof of actual damages; (b) the party against w would be an adequate remedy at law; and (c) the party against whom specific performance is be posted.

Such remedies will not be the exclusive remedies for a breach of Section 8, but will be in addit

9.12 Entire Agreement. Except as expressly set forth herein, this Agreement (inc constitute the entire agreement and understanding of the Company and the Investor with re and understandings relating to the subject matter hereof.

9.13 Further Assurances. Each of the Company and the Investor agrees to execu company, partnership or other powers, all such other and additional instruments and do necessary to more fully effectuate this Agreement.

(signature page follow

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly exe date first indicated above.

By

Nam

Title

HONE

By

HONEY

B

N

Title: Senior Vice President, C

(Signature page to Common Stock and Warrant

SCHEDULE 1

DEFINITIONS

"**Affiliate**" means, with respect to any person, any other person that, directly or indire
under common control with such person.

"**Claim**" means a claim for Losses.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended and such rule

"**Governmental Authority**" means any federal, state, local, or any non-U.S. governmer
authority, body, agency or commission or any court, tribunal, or judicial or arbitral body of co

"**Laws**" means any United States federal, state and local, and any non-U.S., laws, statu
promulgated by any Governmental Authority of competent jurisdiction.

"**Lien**" means any charge, lien, statutory lien, pledge, mortgage, security interest, Claim
of income, right of first refusal, easement, right of way, option, conditional sale, or other title

"**Losses**" means losses, liabilities, damages and expenses (including reasonable attorne

"**Order**" means and includes any writ, law, rule, regulation, executive order or dec
preliminary, or permanent enacted, issued, promulgated, enforced, or entered into by any G

"**Organizational Document**" means, with respect to any Person, (a) the articles or ce
corporation; (b) operating agreement, limited liability company agreement, or similar docu
document adopted or filed in connection with the creation, formation, or organization of a Pe

"**Person**" means any individual, corporation, partnership, joint venture, limited liabi
organization or Governmental Authority.

"**Transaction Documents**" means this Agreement, the Registration Rights Agreement
the Investment Warrant, the IP Warrant, the Joint Development Agreement between the In
License Agreement between the Investor and the Company entered into currently herew
Company entered into currently herewith.

(Remainder of page left intention

CERTIFICATION
PURSUANT TO RULE 13a-14(a) AND
UNDER THE SECURITIES EXCHANGE ACT OF 1
AS ADOPTED PURSUANT TO SECTION 302 OF THE SAI

I, Eric P. Dresselhuys, certify th

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter end

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state which such statements were made, not misleading with resp

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fa flows of the registrant as of, and for, the perio

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure contr control over financial reporting (as defined in Exchange Act Rules 13

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure registrant, including its consolidated subsidiaries, is made known to us by others within the

   b. Designed such internal control over financial reporting, or caused such internal control over financial the reliability of financial reporting and the preparation of financial statements for ext

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in thi as of the end of the period covered by this Re

   d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occ in the case of an annual report) that has materially affected, or is reasonably likely to m

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal registrant's board of directors (or persons perform

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over record, process, summarize and repor

   b. Any fraud, whether or not material, that involves management or other employees who h

August 8, November 14, 2023 B

CERTIFICATION
PURSUANT TO RULE 13a-14(a) AND
UNDER THE SECURITIES EXCHANGE ACT OF 1
AS ADOPTED PURSUANT TO SECTION 302 OF THE SAI

I, Anthony Rabb, certify tha

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter end

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state which such statements were made, not misleading with resp

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fa flows of the registrant as of, and for, the perio

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure contr control over financial reporting (as defined in Exchange Act Rules 13

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure
registrant, including its consolidated subsidiaries, is made known to us by others within th

b. Designed such internal control over financial reporting, or caused such internal control over financial
the reliability of financial reporting and the preparation of financial statements for ext

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in thi
as of the end of the period covered by this Re

d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occ
in the case of an annual report) that has materially affected, or is reasonably likely to m

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal
registrant's board of directors (or persons perfor

a. All significant deficiencies and material weaknesses in the design or operation of internal control over
record, process, summarize and repor

b. Any fraud, whether or not material, that involves management or other employees who h

August 8, November 14, 2023 B

CERTIFICATION PURSUANT
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT T
SECTION 906 OF THE SARBANES-OXLEY

In connection with the Quarterly Report of ESS Tech, Inc. (the "Company") on Form 10-Q for the quarter ended June Se
(the "Report"), I, Eric P. Dresselhuys, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350
my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934
2. the information contained in the Report fairly presents, in all material respects, the financial condition and resu

August 8, November 14, 2023 B

CERTIFICATION PURSUANT
18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT T
SECTION 906 OF THE SARBANES-OXLEY

In connection with the Quarterly Report of ESS Tech, Inc. (the "Company") on Form 10-Q for the quarter ended June
date hereof (the "Report"), I, Anthony Rabb, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sectio
best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934

2. the information contained in the Report fairly presents, in all material respects, the financial condition and resu

August 8, November 14, 2023 B

000s)

Balances as of December 31, 2022	Balances as of December 31, 2022	3,223,109	$ 1.01	7.39	$
Options and RSUs granted	Options and RSUs granted	—	—		
Options exercised and RSUs released	Options exercised and RSUs released	(349,545)	0.35		
Options and RSUs forfeited	Options and RSUs forfeited	(298,358)	0.46		
Balances as of June 30, 2023		2,575,206	$ 1.16	6.01	$

Balances as of September 30, 2023						
Options vested and exercisable - December 31, 2022	Options vested and exercisable - December 31, 2022	1,947,123	$	0.76	7.06	$
Options vested and exercisable - June 30, 2023		1,902,554	$	0.91	5.48	$
Options vested and exercisable - September 30, 2023						

Table of Contents

No options were granted during the six months ended June 30, 2023. The weighted average assumptions used to determine the fair value of options granted in the three and six nine months ended June 30, 2022 September 30, 2023 and September 30, 2022 were as follows:

	2022
Risk-free rate	1.64 %
Expected volatility	73.95 %
Expected term	6 years
Expected dividends	—

	2023	2022
Risk-free rate	4.38 %	1.64 %
Expected volatility	87.08 %	73.95 %
Expected term	6 years	6 years
Expected dividends	—	—

As of June 30, 2023 September 30, 2023, there was approximately $28.6 million $28.2 million of unamortized stock-based compensation expense related to unvested stock options and RSUs, which is expected to be recognized over a weighted-average period of 2.95 years.

Employee Stock Purchase Plan

In May 2022, the Company commenced its first offering period under the ESS Tech, Inc. Employee Stock Purchase Plan (“ESPP”), which assists employees in acquiring a stock ownership interest in the Company. The ESPP permits eligible employees to purchase common stock at a discount through payroll deductions during specified offering periods. No employee may purchase more than $25,000 worth of stock in any calendar year. The price of shares purchased under the ESPP is equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. Total ESPP expense for the three and six nine months ended June 30, 2023 September 30, 2023 was $90

Table of Contents

$89 thousand and $149 $238 thousand, respectively. Total ESPP expense for the three and six nine months ended June 30, 2022 September 30, 2022 was immaterial. $99 thousand and $139 thousand, respectively.

10. 12. FAIR VALUE MEASUREMENTS

The following tables present the Company’s fair value hierarchy for its financial assets measured at fair value on a recurring basis (in thousands):

	June 30, 2023		
	Cash Equivalents and Restricted Cash	Short-Term Investments	Total Assets at Fair Value

	Cash Equivalents and Restricted Cash	Short-Term Investments	Total Assets at Fair Value
Level 1:			
Money market funds	$ 10,978	$ —	$ 10,978
U.S. Treasury securities	7,981	29,927	37,908
Total Level 1	18,959	29,927	48,886
Level 2:			
Certificate of deposit	76	—	76
U.S. agency securities	—	17,715	17,715
Commercial paper	7,972	21,574	29,546
Total Level 2	8,048	39,289	47,337
Total assets measured at fair value	$ 27,007	$ 69,216	$ 96,223

	September 30, 2023		
	Cash Equivalents and Restricted Cash	Short-Term Investments	Total Assets at Fair Value
Level 1:			
Money market funds	$ 10,101	$ —	$ 10,101
U.S. Treasury securities	—	40,918	40,918
Total Level 1	10,101	40,918	51,019
Level 2:			
Certificate of deposit	—	—	—
U.S. agency securities	—	17,938	17,938
Commercial paper	20,410	28,473	48,883
Total Level 2	20,410	46,411	66,821
Total assets measured at fair value	$ 30,511	$ 87,329	$ 117,840

	December 31, 2022		
	Cash Equivalents and Restricted Cash	Short-Term Investments	Total Assets at Fair Value
Level 1:			
Money market funds	$ 27,993	$ —	$ 27,993
U.S. Treasury securities	—	19,944	19,944
Total Level 1	27,993	19,944	47,937
Level 2:			
Certificate of deposit	75	—	75
U.S. agency securities	—	55,319	55,319
Commercial paper	5,972	29,784	35,756
Total Level 2	6,047	85,103	91,150
Total assets measured at fair value	$ 34,040	$ 105,047	$ 139,087

Table of Contents

	December 31, 2022		
	Cash Equivalents and Restricted Cash	Short-Term Investments	Total Assets at Fair Value
Level 1:			
Money market funds	$ 27,993	$ —	$ 27,993
U.S. Treasury securities	—	19,944	19,944

Total Level 1	27,993	19,944	47,937
Level 2:			
Certificate of deposit	75	—	75
U.S. agency securities	—	55,319	55,319
Commercial paper	5,972	29,784	35,756
Total Level 2	6,047	85,103	91,150
Total assets measured at fair value	$ 34,040	$ 105,047	$ 139,087

The following tables present the Company's fair value hierarchy for its financial liabilities measured at fair value on a recurring basis (in thousands):

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Earnout warrants	$ —	$ 134	$ —	$ 134
Public warrants	1,697	—	—	1,697
Private warrants (excluding earnout warrants)	—	805	—	805
Total liabilities measured at fair value	$ 1,697	$ 939	$ —	$ 2,636

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Earnout warrants	$ —	$ 117	$ —	$ 117
Public warrants	1,475	—	—	1,475
Private warrants (excluding earnout warrants)	—	700	—	700
Total liabilities measured at fair value	$ 1,475	$ 817	$ —	$ 2,292

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Earnout warrants	$ —	$ 163	$ —	$ 163
Public warrants	2,066	—	—	2,066
Private warrants (excluding earnout warrants)	—	980	—	980
Total liabilities measured at fair value	$ 2,066	$ 1,143	$ —	$ 3,209

There were no transfers among Level 1, Level 2, or Level 3 categories during the periods presented. The carrying amounts of the Company's notes payable and accounts payable approximate their fair values due to their short maturities.

Level 1 Assets: The Company invests in money market funds and U.S U.S. Treasury securities that have maturities of 90 days or less. These assets are valued using observable inputs that reflect quoted prices for securities with identical characteristics.

Level 2 Assets: The Company invests in a certificate of deposit, U.S. agency securities, and commercial paper. These assets are valued using observable inputs that reflect quoted prices for securities with similar characteristics and other observable inputs (such as interest rates that are observable at commonly quoted intervals).

Level 1 Liabilities: The Company values its public common stock warrants based on the market price of the warrants.

Level 2 Liabilities: The Company values its Earnout Warrant liabilities and private common stock warrants based on the market price of the Company's public common stock warrants.

For trading securities held at the reporting date, net losses recorded during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 the Company recorded net losses of $11 thousand and $185 thousand, respectively. were immaterial.

11. 13. INCOME TAXES

The Company did not record an income tax provision for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, due to the Company's history of losses, and accordingly, has recorded a valuation allowance against

Table of Contents

substantially all of the Company's net deferred tax assets. The Company records a valuation allowance when it is more likely than not that some portion, or all, of the Company's deferred tax assets will not be realized.

12. 14. GOVERNMENT GRANTS

Inflation Reduction Act of 2022 ("IRA")

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 into law. The IRA has significant economic incentives for both energy storage customers and manufacturers for projects placed in service after December 31, 2022. Starting in 2023, there are Production Tax Credits under Internal Revenue Code 45X ("PTC"), that can be claimed on battery components manufactured in the U.S. and sold to U.S. or foreign customers. The tax credits available to manufacturers include a credit for ten percent of the cost incurred to make electrode active materials in addition to credits of $35 per kWh of capacity of battery cells and $10 per kWh of capacity of battery modules. The credits are cumulative, meaning that companies will be able to claim each of the available tax credits based on the battery components produced and sold through 2029, after which the PTC will begin to gradually phase down through 2032.

Since the PTC is a refundable credit (i.e., a credit with a direct-pay option available), the PTC is outside the scope of ASC 740, *Income Taxes* ("ASC 740"). Therefore, the Company accounts for the PTC under a government grant

Table of Contents

model. GAAP does not address the accounting for government grants received by a business entity that are outside the scope of ASC 740. The Company's accounting policy is to analogize to IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, under IFRS Accounting Standards. Under IAS 20, once it is reasonably assured that the entity will comply with the conditions of the grant, the grant money should be recognized on a systematic basis over the periods in which the entity recognizes the related expenses or losses for which the grant money is intended to compensate. The Company recognizes grants once it is probable that both of the following conditions will be met: (1) the Company is eligible to receive the grant and (2) the Company is able to comply with the relevant conditions of the grant.

The PTC is recorded as the applicable items are produced and sold. For the three and nine months ended September 30, 2023, the Company recognized PTC of $654 thousand as a reduction of cost of revenue on the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2023, grant receivable related to the PTC in the amount of $654 thousand is recorded in prepaid expenses and other current assets on the condensed consolidated balance sheets.

15. REVENUE

Disaggregated Revenue

The following table presents the Company's revenue, disaggregated by source (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Product revenue	$ 2,822	$ 606	$ 3,188	$ 606
Service and other revenue	5	80	11	80
Total revenue	$ 2,827	$ 686	$ 3,199	$ 686

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Product revenue	$ 1,321	$ 186	$ 4,510	$ 792
Service and other revenue	224	6	234	86
Total revenue	$ 1,545	$ 192	$ 4,744	$ 878

The majority of the Company's revenue is derived from the product sales of energy storage systems.

Contract Balances

Contract assets relate to unbilled amounts resulting from contract arrangements in which the related revenue recognition performance obligations have been satisfied, however invoicing to the customer has not yet occurred. Deferred revenue (or contract liabilities) relates to consideration received from customers in advance of the Company satisfying the revenue recognition performance obligations under the related contractual arrangements. Contract balances are reported in a net contract asset or deferred revenue liability position on a contract-by-contract basis at the end of each reporting period. Contract assets are included in prepaid expenses and other current assets and deferred revenue is presented separately on the condensed consolidated balance sheets.

The following table provides information about contract assets and deferred revenue from contracts with customers (in thousands):

	June 30, 2023	December 31, 2022
Contract assets	$ 119	$ 11

Deferred revenue	6,515	8,610

	September 30, 2023	December 31, 2022
Contract assets	$ 304	$ 11
Deferred revenue	21,329	8,610

Contract assets increased by $108 $293 thousand during the six nine months ended June 30, 2023 September 30, 2023 due to the recognition of revenues for which invoicing had not yet occurred. Deferred revenue decreased increased by $2.1 million $12.7 million during the six nine months ended June 30, 2023 September 30, 2023, reflecting $1.5 million $17.8 million in customer advance payments, offset by the recognition of $3.2 million $4.6 million of revenue that was included in the deferred revenue balance at the beginning of the period, $108 $506 thousand of deposits returned to customers, and $244 thousand of reclassifications to accrued and other current liabilities due to changes in the estimation of variable consideration.

Deferred revenue of $3.2 million $1.4 million is expected to be recognized within the next 12 months and non-current deferred revenue of $3.3 million $19.9 million is expected to be recognized in the subsequent twelve months. thereafter.

13. 16. RELATED PARTY TRANSACTIONS

During the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized revenue of $1 thousand and $2 $3 thousand for sales of extended warranty services to related parties, respectively. During the three and six nine months

- 19 -

Table of Contents

ended June 30, 2022 September 30, 2022, the Company recognized revenue of $282 $1 thousand and $283 thousand for sales of energy storage systems to related parties.

As of June 30, 2023 September 30, 2023, the Company had recorded deferred revenue of $3 $2 thousand for sales of extended warranty services to related parties. As of December 31, 2022, the Company had recorded deferred revenue of $5 thousand for sales of extended warranty services to related parties.

- 17 -

Effective September 21, 2023, Honeywell became a related party as a result of the common stock and common stock warrants issued as described in Note 10, *Common Stock Warrants*. As of September 30, 2023, the Company had recorded a non-refundable deposit on equipment received from Honeywell of $15.0 million within deferred revenue, non-current and an asset of $736 thousand for the value of the initial Performance Warrant issued to Honeywell within other non-current assets on the condensed consolidated balance sheets. The value of the initial Performance Warrant will be recognized as an offset to revenue in the period in which revenue is earned.

Table of Contents

14. 17. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net loss attributable to common stockholders	$ (22,929)	$ (15,588)	$ (44,830)	$ (21,297)
Denominator:				
Weighted-average shares outstanding – basic and diluted	154,900,330	152,723,980	154,514,265	152,206,773
Net loss per share – basic and diluted	$ (0.15)	$ (0.10)	$ (0.29)	$ (0.14)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss attributable to common stockholders	$ (16,618)	$ (31,597)	$ (61,448)	$ (52,894)
Denominator:				
Weighted-average shares outstanding – basic and diluted	157,076,260	152,861,300	155,377,648	152,427,346
Net loss per share – basic and diluted	$ (0.11)	$ (0.21)	$ (0.40)	$ (0.35)

Due to the net losses for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, basic and diluted net loss per common share were the same, as the effect of potentially dilutive securities would have been anti-dilutive.

The following outstanding balances of common share equivalents have been excluded from the calculation of diluted weighted-average common shares outstanding because the effect is anti-dilutive for the periods presented:

	Three and Six Months Ended June 30,	
	2023	2022
Stock options	2,575,206	3,512,333
RSUs	12,613,177	5,644,002
Warrants	11,473,727	11,461,227
Total	26,662,110	20,617,562

15. SUBSEQUENT EVENTS

On July 7, 2023, the Company elected to repay all outstanding notes payable with a payment of $1.0 million to First Citizens Bank. The transaction amount repaid the outstanding principal balance, interest and a final payment due of $200 thousand. Following this transaction, the Company's notes payable balance was zero.

	Three and Nine Months Ended September 30,	
	2023	2022
Stock options	2,601,822	3,443,679
RSUs	13,842,646	6,190,770
Warrants	29,151,075	11,461,227
Total	45,595,543	21,095,676

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2022. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include those identified below and those discussed in the section titled "Part II—Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q.

Overview

We are a long-duration energy storage company specializing in iron flow battery technology. We design and produce long-duration batteries predominantly using earth-abundant materials that we believe can be cycled over 20,000 times without capacity fade. Because we designed our batteries to operate using an electrolyte of primarily salt, iron and water, they are non-toxic and substantially recyclable.

Our long-duration iron flow batteries are the product of nearly 50 years of scientific advancement. Our founders, Craig Evans and Dr. Julia Song, began advancing this technology in 2011 and formed Legacy ESS. Our team has significantly enhanced the technology, improved the round-trip efficiency and developed an innovative and patented solution to the hydroxide build-up problem that plagued previous researchers developing iron flow batteries. Our proprietary solution to eliminate the hydroxide formation is known as the Proton Pump, which works by utilizing hydrogen generated by side reactions on the negative electrode. The Proton Pump converts the hydrogen back into protons in the positive electrolyte. This process eliminates the hydroxide and stabilizes the electrolytes' pH levels.

Our batteries provide flexibility to grid operators and energy assurance for commercial and industrial customers. Our technology addresses energy delivery, duration and cycle-life in a single battery platform that compares favorably to lithium-ion batteries, the most widely deployed alternative technology. Using our iron flow battery technology, we are developing two several products, each of which is able to provide reliable, safe, long-duration energy storage. Our first energy storage product, the Energy Warehouse, is our "behind-the-meter" solution (referring to solutions that are located on the customer's premises, behind the service demarcation with the utility) that offers energy storage ranging from four to twelve-hour duration. Our second, larger scale energy storage product, the Energy Center, is currently being designed for "front-of-the-meter" (referring to solutions that are located outside the customer's premises, typically operated by the utility or by third-party providers who sell energy into the grid, often known as independent power producers) deployments specifically for utility and large commercial and industrial consumers. Our core battery components in the Energy Warehouse and the Energy Center also are under development for integration into third-party systems.

Key Factors and Trends Affecting Our Business

We believe that our performance and future success depends on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section "*Part II—Item 1A. Risk Factors*" of this Quarterly Report on Form 10-Q.

We believe we have the opportunity to establish attractive margin unit economics if we are able to continue to reduce production costs and scale our operations. Our future financial performance will depend on our ability to deliver on these economies of scale with lower product costs. We believe our business model is positioned for scalability due to the ability to leverage the same product platform across our customer base. Significant improvements in manufacturing scale are expected to decrease the per unit cost of materials and direct labor. Achievement of margin targets and cash flow generation is dependent on achieving scale in our business including finalizing development and manufacturing of Energy Centers and selling our core battery components for integration by third parties into completed systems.

Our near-term and medium-term revenue is expected to be generated from our second-generation Energy Warehouses and our Energy Centers. We believe our unique technology provides a compelling value proposition and an opportunity for favorable margins and unit economics in the energy storage industry in the future.

Impact of Macroeconomic Developments

We are closely monitoring macroeconomic developments, including global supply chain challenges, foreign currency fluctuations, elevated inflation and interest rates and monetary policy changes, as well as global events, such as the Russia-Ukraine conflict, the conflict in the Middle East, and other areas of geopolitical tension around the world, and how they may adversely impact our and our customers', contractors', suppliers' and partners' respective businesses. In particular, weak economic conditions or significant uncertainty regarding the stability of financial markets related to stock market volatility, inflation, recession or governmental fiscal, monetary and tax policies, among others, could adversely impact our and our customers' business, financial condition and operating results. In addition, general and ongoing tightening in the

credit market, lower levels of liquidity, increases in rates of default and bankruptcy, and significant volatility in equity and fixed-income markets could

all negatively impact our customers, contractors, suppliers and partners. Potentially as a result of these macroeconomic forces, during the first half three quarters of 2023 we have experienced supply constraints, increased shipping delays for certain customer contracts, and delays in timing of payments from some of our customers. We believe some or all of these negative trends may continue during the second half remainder of 2023.

To the extent that challenging macroeconomic conditions persist, we may experience an extension and worsening of these effects as well as additional adverse effects on our business, financial condition, or results of operations in future periods. These effects could include, among others, slower purchasing decisions by existing and potential new customers, additional delays in timing of payments under our existing customer contracts, further reduction or delays in purchasing decisions by our customers, potential losses of customers as a result of economic distress or bankruptcy, and increased costs for raw materials and freight resulting from continued inflationary cost pressures.

For further discussion of the challenges and risks we confront related to macroeconomic conditions and geopolitical tension around the world, please refer to "*Part II—Item 1A. Risk Factors*" of this Quarterly Report on Form 10-Q.

Inflation Reduction Act of 2022

On August 16, 2022, President Biden signed into law the Inflation Reduction Act (the "IRA"), which extends the availability of investment tax credits ("ITCs") and production tax credits and makes significant changes to the tax credit regime that applies to solar and energy storage products. As a result of changes made by the IRA, the ITC for solar generation projects is extended until at least 2033 and has been expanded to include stand-alone battery storage. We believe this expansion provides significant certainty on the tax incentives that will be available to stand-alone battery projects in the future. We believe the IRA will increase demand for our services due to the extensions and expansions of various tax credits that are critical for our customers' economic returns, while also providing more certainty in and visibility into the supply chain for materials and components for energy storage systems. We are continuing to evaluate the overall impact and applicability of the IRA as final rules and regulations are issued, and the passage of comparable legislation in other jurisdictions, to our results of operations going forward.

As discussed in Note 14, *Government Grants,* to our condensed consolidated financial statements, starting in 2023, there are PTCs that can be claimed on battery components manufactured in the U.S. and sold to U.S. or foreign customers. The tax credits available to manufacturers include a credit for ten percent of the cost incurred to make electrode active materials in addition to credits of $35 per kWh of capacity of battery cells and $10 per kWh of capacity of battery modules. The credits are cumulative, meaning that companies will be able to claim each of the available tax credits based on the battery components produced and sold through 2029, after which the PTC will begin to gradually phase down through 2032. We expect these credits will have positive impact on our gross margins in the future.

Components of Results of Operations

Revenue and Cost of revenue

We earn revenue from the sale of our energy storage products and from service contracts. Revenue from service contracts includes extended warranty and maintenance services for our energy storage products.

We recognize revenues subject to the terms of our customer contracts and in accordance with ASC 606, *Revenue from Contracts with Customers*. We invoice our customers based upon contractual terms, and accordingly, we have deferred revenues and contract assets depending upon whether we can invoice in advance of satisfying the performance obligations under the respective customer contract or in arrears, respectively.

As discussed in Note 1, *Description of Business and Basis of Presentation*, to our condensed consolidated financial statements, during the third quarter of 2023 we reached commercial viability and transitioned out of the research and development phase and into commercial inventory accounting. Following the Transition Date, cost of revenue is primarily driven by direct material, labor, shipping and freight, and overhead expenses. Cost of revenue also includes LCNRV charges, warranty costs, losses on unfulfilled noncancellable purchase commitments, obsolescence charges, and fulfillment costs. We expect revenue and cost of revenue to increase as we scale the business and deliver our energy storage products.

Operating expenses

Research and development expenses

Costs related to Following the Transition Date, research and development expenses consist of direct product development material costs, including freight charges, and product development materials, supplies, personnel-related expenses, warranty-related costs, depreciation charges, overhead related allocated facilities costs, consulting services and other direct expenses. Personnel-related expenses consist of salaries, benefits and stock-based compensation. We expect our Prior to the Transition Date, research and development expenses also included direct product development material costs, including freight charges, and warranty-related costs. Our research and development costs to decrease as we have decreased following the transition to commercial inventory accounting and begin to recognize cost in the third quarter of goods sold but 2023; however, we continue to perform some research and development activities to further expand our product roadmap.

Table of Contents

Sales and marketing expenses

Sales and marketing expenses consist primarily of salaries, benefits and stock-based compensation for marketing and sales personnel and related support teams. To a lesser extent, sales and marketing expenses also include professional services costs, travel costs, and trade show sponsorships. We expect that our sales and marketing expenses will increase over time as we continue to hire additional personnel to scale our business.

General and administrative expenses

General and administrative expenses consist of personnel-related expenses for our corporate, executive and other administrative functions, as well as expenses for outside professional services and insurance costs. Personnel-related expenses consist of salaries, benefits and stock-based compensation. We expect our general and administrative expenses to increase as we scale headcount with the growth of our business and as a result of operating as a public company, including compliance with the rules and regulations of the SEC and other administrative and professional services.

Table of Contents

Other income (expenses), net

Interest income, net

Interest expense consists primarily of interest on our notes payable. payable, which were repaid in full in July 2023. Interest income consists primarily of earned income on our cash and cash equivalents, restricted cash, and short-term investments. These amounts will vary based on our cash, cash equivalents, restricted cash and short-term investment balances and on market rates.

Gain (loss) on revaluation of common stock warrant liabilities

The gain (loss) on revaluation of common stock warrant liabilities consists of periodic fair value adjustments related to the Public Warrants and Private Warrants (including the Earnout Warrants).

Other income (expense), net

Other income (expense), net consists primarily of various gains and losses associated with our short-term investments and other income and expense items.

Results of Operations

The following table sets forth ESS's operating results for the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,			
($ in thousands)	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Revenue	$ 2,827	$ 686	$ 2,141	312%	$ 3,199	$ 686	$ 2,513	366%
Operating expenses:								
Research and development	19,450	16,165	3,285	20	37,181	29,063	8,118	28
Sales and marketing	1,739	1,900	(161)	(8)	3,592	3,402	190	6
General and administrative	5,845	6,797	(952)	(14)	11,132	14,586	(3,454)	(24)
Total operating expenses	27,034	24,862	2,172	9	51,905	47,051	4,854	10
Loss from operations	(24,207)	(24,176)	(31)	—	(48,706)	(46,365)	(2,341)	5
Other income (expenses), net:								
Interest income, net	1,330	247	1,083	438	2,582	218	2,364	N/M
Gain (loss) on revaluation of common stock warrant liabilities	(115)	8,596	(8,711)	N/M	573	25,101	(24,528)	(98)
Other income (expense), net	63	(255)	318	N/M	721	(251)	972	N/M
Total other income (expenses), net	1,278	8,588	(7,310)	(85)	3,876	25,068	(21,192)	(85)

Net loss and comprehensive loss to common stockholders	$ (22,929)	$ (15,588)	$ (7,341)	47%	$ (44,830)	$ (21,297)	$ (23,533)	110%

	Three Months Ended September 30,				Nine Months Ended September 30,			
($ in thousands)	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Revenue	$ 1,545	$ 192	$ 1,353	705%	$ 4,744	$ 878	$ 3,866	440%
Cost of revenue	10,183	—	10,183	100	10,183	—	10,183	100
Gross profit (loss)	(8,638)	192	(8,830)	N/M	(5,439)	878	(6,317)	N/M
Operating expenses:								
Research and development	1,609	20,127	(18,518)	(92)	38,790	49,190	(10,400)	(21)
Sales and marketing	2,056	1,815	241	13	5,648	5,217	431	8
General and administrative	5,831	5,981	(150)	(3)	16,963	20,567	(3,604)	(18)
Total operating expenses	9,496	27,923	(18,427)	(66)	61,401	74,974	(13,573)	(18)
Loss from operations	(18,134)	(27,731)	9,597	(35)	(66,840)	(74,096)	7,256	(10)
Other income (expenses), net:								
Interest income, net	1,155	781	374	48	3,737	999	2,738	274
Gain (loss) on revaluation of common stock warrant liabilities	344	(4,585)	4,929	N/M	917	20,515	(19,598)	(96)
Other income (expense), net	17	(62)	79	N/M	738	(312)	1,050	N/M
Total other income (expenses), net	1,516	(3,866)	5,382	(139)	5,392	21,202	(15,810)	(75)
Net loss and comprehensive loss to common stockholders	$ (16,618)	$ (31,597)	$ 14,979	(47)%	$ (61,448)	$ (52,894)	$ (8,554)	16%

N/M = Not meaningful

Table of Contents

Revenue

Revenue for the three and six nine months ended June 30, 2023 September 30, 2023 was $2.8 million $1.5 million and $3.2 million $4.7 million, respectively, compared to $686 thousand $0.2 million and $0.9 million for the three and six nine months ended June 30, 2022 September 30, 2022 as we delivered and recognized revenue for a higher volume of Energy Warehouses and other related equipment delivered in the first half three quarters of 2023. 2023 compared to 2022.

Cost of goods sold revenue

During the third quarter of 2023 we reached commercial viability and transitioned out of the research and development phase and into commercial inventory accounting. As such, we began recording cost of revenue as of the Transition Date. Cost of revenue for units associated with the revenue recognized in prior to the periods presented Transition Date is zero as related these costs have been accounted for were recognized as part of research and development expenses in the respective periods incurred; however, incurred. As the production costs for these our units significantly exceeded exceed their selling price. We anticipate that we will exit price, after the research and development phase and enter the transition to commercial inventory phase in the third quarter of 2023 at which point cost of sales and inventory will begin to be recorded. We expect to begin accounting, we began recognizing lower of cost or net realizable charges as the cost of our inventory currently exceeds net realizable value. Losses LCNRV charges. Additionally, losses on purchase commitments and inventory write-downs will have the impact are now being recorded as cost of reducing gross profit margin in the period of the charge. revenue. Refer to Note 2, *Significant Accounting Policies*, to our condensed consolidated financial statements for further details on the accounting impact of this transition. Cost of revenue for the third quarter of 2023 primarily consisted of direct materials, freight, overhead expenses, LCNRV charges, losses on firm purchase commitments and direct labor costs including stock-based compensation.

Research and development

Research and development expenses increased decreased by $3.3 million $18.5 million or 20% 92% from $16.2 million $20.1 million for the three months ended June 30, 2022 September 30, 2022 to $19.5 million $1.6 million for the three months ended June 30, 2023 September 30, 2023. The increase decrease resulted primarily from increased personnel-related expenses due to expanded the transition out of research and development accounting in the third quarter of 2023 into commercial inventory accounting as of the Transition Date, as well as reduced payroll and benefit expense as a result of reduced headcount, an increase in purchases of materials including stock-based compensation, and supplies, including related freight costs, an increase in warranty-related costs and increased depreciation expense due to manufacturing lines placed in service at the end of 2022.

REFINITIV

reduced outside services costs.

Research and development expenses increased decreased by $8.1 million $10.4 million or 28% 21% from $29.1 million $49.2 million for the six nine months ended June 30, 2022 September 30, 2022 to $37.2 million $38.8 million for the six nine months ended June 30, 2023 September 30, 2023. The increase decrease resulted from increased personnel-related the transition out of research and development accounting in the third quarter of 2023 into commercial inventory accounting as of the Transition Date. Combining cost of revenue and research and development expense for the nine months ended September 30, 2023 results in $48.9 million of comparable expense which is consistent with prior period $49.2 million of research and development expenses due to expanded headcount, an increase in purchases of materials and supplies, including related freight costs, an increase in warranty-related costs, and increased depreciation expense due to manufacturing lines placed in service at for the end of 2022. nine months ended September 30, 2022.

Sales and marketing

Sales and marketing expenses decreased increased by $161 $241 thousand or 8% 13% from $1.9 million $1.8 million for the three months ended June 30, 2022 September 30, 2022 to $1.7 million $2.1 million for the three months ended June 30, 2023 September 30, 2023. The decrease increase is driven by a decrease in fees paid to outside marketing and sales consultants partially offset by an increase in personnel-related expenses due to expanded headcount. sales headcount and fees paid to outside marketing and sales consultants.

Sales and marketing expenses increased by $190 $431 thousand or 6% 8% from $3.4 million $5.2 million for the six nine months ended June 30, 2022 September 30, 2022 to $3.6 million $5.6 million for the six nine months ended June 30, 2023 September 30, 2023. The increase is driven by increased personnel-related expenses due to expanded sales headcount.

General and administrative

General and administrative expenses decreased by $952 $150 thousand or 14% 3% from $6.8 million $6.0 million for the three months ended June 30, 2022 September 30, 2022 to $5.8 million for the three months ended June 30, 2023 September 30, 2023. The decrease is primarily due to a decrease in stock-based compensation expense as a result of reduced board member and executive stock-based compensation and decreased expense, partially offset by increased fees paid to outside service providers including legal fees, accounting and external audit fees.

General and administrative expenses decreased by $3.5 million $3.6 million or 24% 18% from $14.6 million $20.6 million for the six nine months ended June 30, 2022 September 30, 2022 to $11.1 million $17.0 million for the three nine months ended June 30, 2023 September 30, 2023. The decrease is due primarily to a decrease in stock-based compensation expense as a result of reduced board member and executive stock-based compensation expense and decreased insurance costs, decreased recruiting costs, partially offset by increased compensation professional and outside services costs.

Other income (expenses), net

Interest income, net

Interest income, net was $1.3 million $1.2 million for the three months ended June 30, 2023 September 30, 2023 compared to $247 $781 thousand for the three months ended June 30, 2022 September 30, 2022. The change resulted from a decrease in interest expense resulting primarily from a decrease in borrowings for 2023 compared to 2022 and an increase in interest income driven by interest earned on our short-term investment portfolio during the three months ended June 30, 2023 September 30, 2023.

Interest income, net was $2.6 million $3.7 million for the six nine months ended June 30, 2023 September 30, 2023 compared to $218 thousand $1.0 million for the six nine months ended June 30, 2022 September 30, 2022. The change resulted from a decrease in interest expense resulting primarily from a decrease in borrowings for 2023 compared to 2022 and an increase in interest income driven by interest earned on our short-term investment portfolio during the six nine months ended June 30, 2023 September 30, 2023.

Gain (loss) on revaluation of common stock warrant liabilities

The change in fair value of common stock warrant liabilities resulted in a loss gain of $115 $344 thousand for the three months ended June 30, 2023 September 30, 2023 and a gain loss of $8.6 million $4.6 million for the three months ended June 30, 2022 September 30, 2022. The changes in fair value of warrant liabilities were driven by changes in the market price of our common stock over the respective periods.

The change in fair value of common stock warrant liabilities resulted in a gain of $573 $917 thousand for the six nine months ended June 30, 2023 September 30, 2023 and a gain of $25.1 million $20.5 million for the six nine months ended June 30, 2022 September 30, 2022. The changes in fair value of warrant liabilities were driven by changes in the market price of our common stock over the respective periods.

Other income (expense), net

Other income (expense), net for the three months ended June 30, 2022 September 30, 2022 was $255 $62 thousand of expense and $63 $17 thousand of income for the three months ended June 30, 2023 September 30, 2023. The change is a result of unrealized gains reported on trading securities in 2023 compared to unrealized losses reported on trading securities in 2022.

Other income (expense), net for the six nine months ended June 30, 2022 September 30, 2022 was $251 $312 thousand of expense and $721 $738 thousand of income for the six nine months ended June 30, 2023 September 30, 2023. The change is a result of an increase in funding received from federal agencies for our research and development activities in 2023. 2023 as well the change in unrealized gains and losses reported on trading securities.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through the issuance and sale of equity and debt securities and loan agreements. We have incurred significant losses and have negative cash flows from operations. As of June 30, 2023 September 30, 2023, we had an accumulated deficit of $663.4 million $680.0 million. Management expects to continue to incur additional substantial

losses in the foreseeable future as a result of our cost of goods sold, revenue, research and development and other operational activities. As of June 30, 2023 September 30, 2023, we had unrestricted cash and cash equivalents of $30.3 million $37.2 million, which is available to fund future operations, and short-term investments of $69.2 million $87.3 million. We believe that our unrestricted cash and cash equivalents and short-term investments as of June 30, 2023 September 30, 2023 will enable us to maintain our operations and satisfy our financial obligations for a period of at least 12 months following the filing date of our condensed consolidated financial statements. However, we may seek to raise additional equity or debt financing. If such financing is not available or only available on onerous terms or if the financing terms are less desirable than we expect, we may be forced to decrease our level of investment in product development or scale back our operations, which could have an adverse impact on our business and financial prospects.

If we are required to raise additional funds by issuing equity securities, dilution to our stockholders would result. If we raise additional funds by issuing any shares of preferred stock, such securities may also provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise additional funds by issuing debt securities, such debt securities would have rights, preferences and privileges senior to those of holders of our common stock, and the terms of such debt securities or borrowings could impose significant restrictions on our operations. The credit market and financial services industry have in the past, and may in the future, experience periods of uncertainty that could impact the availability and cost of equity and debt financing. For example, in March 2023, the closure of SVB and Signature Bank destabilized many financial institutions and created uncertainty across the industry. Future defaults or other similar destabilizing events could impact the credit markets and adversely impact our ability to access our capital and to obtain debt financing on favorable terms.

In March 2020, we borrowed $4.0 million through a note payable with SVB that is was secured by significantly all of our property, except for intellectual property. The $4.0 million note payable's original maturity date was January 1, 2023; however, the maturity date was modified and extended to January 1, 2024. The note bears bore interest at 0.50% below the bank's prime rate (7.75% rate at June 30, 2023). As of June 30, 2023, the outstanding principal balance on the note payable was $1.1 million. rate. On July 7, 2023, we elected to repay the note payable in full with a payment of $1.0 million covering the outstanding principal balance, interest and a final payment due of $200 thousand. As of September 30, 2023 there was no outstanding principal balance related to this note. For additional details refer to Note 6, 8, *Borrowings*, and Note 15, *Subsequent Events*, of our condensed consolidated financial statements.

As of December 31, 2022, we had a standby letter of credit with First Republic Bank totaling $725 thousand as security for an operating lease of office and manufacturing space in Wilsonville, Oregon. In March 2023, the letter of credit was reduced to $75 thousand. As of June 30, 2023 September 30, 2023 the letter of credit was secured by a restricted certificate of deposit account totaling $75 thousand. There were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

On September 1, 2022, we executed a standby letter of credit with CitiBank, N.A., for $600 thousand as security for the performance and payment of the Company's obligations under a customer agreement. The letter of credit is in effect until the date on which the warranty period under the agreement expires, which is anticipated to be in 2025. In June 2023, the letter of credit was transferred to Bank of America. As of June 30, 2023 September 30, 2023, $600 thousand was pledged as collateral for the letter of credit and recorded as restricted cash, non-current. There were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023.

On March 9, 2023, we executed a standby letter of credit with SVB for $200 thousand in support of our customs and duties due on imported materials. In June 2023, the letter of credit was transferred to Bank of America. The letter of credit is in effect until March 9, 2024. As of June 30, 2023 September 30, 2023, $200 thousand was pledged as collateral for the letter of credit and recorded as restricted cash, current. There were no draws against the letter of credit during the three and six nine months ended June 30, 2023 September 30, 2023.

On September 21, we entered into a Common Stock and Warrant Purchase Agreement with Honeywell Ventures pursuant to which, Honeywell Ventures invested $27.5 million in the Company and the Company issued 16,491,754 shares of common stock and the Investment Warrant exercisable for up to 10,631,633 shares of Common Stock.

The following table summarizes cash flows from operating, investing and financing activities for the periods presented (in thousands):

	Six Months Ended June 30,	
	2023	**2022**
Net cash used in operating activities	$ (37,532)	$ (34,533)
Net cash provided by (used in) investing activities	33,923	(88,062)
Net cash used in financing activities	(442)	(3,687)

Table of Contents

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	$ (38,751)	$ (56,620)
Net cash provided by (used in) investing activities	15,999	(134,653)
Net cash provided by (used in) financing activities	25,588	(4,221)

Cash flows from operating activities:

Cash flows used in operating activities to date have been primarily comprised consisted of costs related to research and development of our energy storage systems, building awareness of our products' capabilities and other general and administrative activities. Beginning in the third quarter of 2023, following the transition to commercial inventory accounting, cash flows used in operating activities also consisted of inventory and cost of revenue.

Net cash used in operating activities was $37.5 million $38.8 million for the six nine months ended June 30, 2023 September 30, 2023, which is comprised of net loss of $44.8 million $61.4 million, noncash interest income of $1.5 million $2.4 million, and noncash changes in the fair value of warrant liabilities of $573 $917 thousand, partially offset by inventory write-downs and losses on noncancellable purchase commitments of $11.4 million, stock-based compensation of $4.8 million $7.7 million and depreciation expense of $2.1 million $3.2 million. Net changes in operating assets and liabilities provided $1.9 million $2.9 million of cash driven by cash collections on accounts receivable, a decrease in prepaid expenses and other current assets and an increase in accrued product warranties, partially offset by decreases in accrued and other current liabilities, deferred revenue, accounts payable and operating lease liabilities.

Net cash used in operating activities was $34.5 million $56.6 million for the six nine months ended June 30, 2022 September 30, 2022, which is comprised of net loss of $21.3 million $52.9 million and noncash changes in the fair value of common stock warrant liabilities of $25.1 million $20.5 million, partially offset by stock-based compensation of $5.7 million $8.7 million. Net changes in operating assets and liabilities provided $4.9 million $6.6 million of cash driven by cash collections on accounts receivable, an increase in accrued and other current liabilities, an increase in accrued product warranties, and a decrease in prepaid expenses and other current assets, partially offset by a decrease in accounts payable and an increase in deferred revenue.

Cash flows from investing activities:

Cash flows from investing activities have been comprised primarily of purchases and sales of short-term investments and purchases of property and equipment.

Net cash provided by investing activities was $33.9 million $16.0 million for the six nine months ended June 30, 2023 September 30, 2023, which relates to maturities of short-term investments partially offset by purchases of property and equipment.

Net cash used in investing activities was $88.1 million $134.7 million for the six nine months ended June 30, 2022 September 30, 2022, which relates to purchases of short-term investments and purchases of property and equipment, primarily for our investment in automating production.

Cash flows from financing activities:

Cash flows from financing activities to date have consisted of the Business Combination and the issuance of debt and equity securities and loan agreements.

Table of Contents

Net cash used in provided by financing activities was $442 thousand $25.6 million for the six nine months ended June 30, 2023 September 30, 2023 and consisted of principal payments on notes payable $27.1 million of $800 thousand, partially offset by proceeds from the issuance of common stock and common stock warrants, net of issuance costs, proceeds from our ESPP of $332 thousand and stock options exercised of $122 thousand. $236 thousand, partially offset by principal payments on notes payable of $1.7 million.

Net cash used in financing activities was $3.7 million $4.2 million for the six nine months ended June 30, 2022 September 30, 2022 and consisted of repurchases of shares from employees for income tax withholding purposes of $2.8 million and principal payments on notes payable of $967 thousand. $1.5 million.

Further commercialization, development, and expansion of our business will require a significant amount of cash for expenditures. Our ability to successfully manage this growth will depend on many factors, including our working capital needs, the availability of equity or debt financing and, over time, our ability to generate cash flows from operations.

Contractual Obligations and Commitments

Our contractual obligations and other commitments as of June 30, 2023 September 30, 2023 consist of lease commitments and notes payable. We also have three standby letters of credit. The letters of credit that serve as security for certain operating leases for office and manufacturing space, for our performance and payment obligations under a customer agreement, and in support of our customs and duties due on imported materials. The letter of credit related to operating leases is fully secured by restricted certificate of deposit accounts. The letters of credit related to a customer contract and to support customs and duties due on imported materials are secured by a total of $800 thousand pledged as collateral. There were no draws against the letters of credit during the three and six nine months ended June 30, 2023 September 30, 2023. Additionally, we are committed to non-cancellable purchase commitments of $869 $546 thousand as of June 30, 2023 September 30, 2023.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, or unconsolidated variable interest entities that either have, or are reasonably likely to have, a current or future material effect on our financial statements.

[Table of Contents](#)

Critical Accounting Policies and Estimates

As of June 30, 2023, our critical accounting policies have not materially changed from those described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022. As discussed in Note 1, *Description of Business and Basis of Presentation*, we anticipate that we will reach reached commercial viability and transition transitioned out of the research and development phase and into commercial inventory accounting in the third quarter of 2023. Refer to Note 2, *Significant Accounting Policies*, for further full details on the anticipated accounting impacts of this transition. In the period transition.

Other than the addition of the inventory valuation as a result of this transition to commercial viability we will disclose all inventory accounting, as of September 30, 2023, our critical accounting policies have not changed from those described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Inventory Valuation

As of the Transition Date, inventory is stated on a first-in, first-out basis at the lower of cost or net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less estimated costs of completion, disposal, and transportation. We periodically make judgments and estimates regarding the future utility and carrying value of inventory. When inventory is adjusted to its net realizable value, a new cost basis is established and such cost is not adjusted for any potential recovery or increase in cost. Obsolete inventories are written off to cost of revenue. Should our estimates of future selling prices or production costs change, additional and potentially material changes write-downs may be required. A small change in our estimates may result in a material charge to our accounting policies since the end of our preceding fiscal year in the notes to the condensed consolidated reported financial statements. results.

Emerging Growth Company Status

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. We expect to continue to take advantage of the benefits of the extended transition period for as long as we remain an emerging growth company, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise reported under this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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 disclosure controls and procedures as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were not effective due to an existing material weakness related to the operating effectiveness of internal controls over the review and analysis of certain transactions within our financial statement close process.

Management's Remediation Initiatives

We have taken and will continue to take steps to remediate the identified unremediated material weakness and enhance our internal controls, including the following:

- We have hired additional personnel and are continuing to expand our team. We are further designing and implementing a formalized internal control framework, including over journal entries and management review controls.
- We are continuing our efforts to improve and strengthen our control processes and procedures to fully remediate these deficiencies. Our management will continue to work with outside advisors to ensure that our controls and procedures are adequate and effective.

Changes in Internal Control over Financial Reporting

Other than the actions taken as described in "Management's Remediation Initiatives" above to improve the Company's internal control over financial reporting, there have been no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2023 September 30, 2023 that materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. In the future, we may become involved in legal proceedings that arise in the ordinary course of business, the outcome of which, if determined adversely to us, could individually or in the aggregate have a material adverse effect on our business, financial condition and results of operations.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. Before making an investment decision, you should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes thereto included in this Quarterly Report on Form 10-Q and in our other filings with the SEC. Our business, operating results, financial condition or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, operating results, financial condition and prospects could be adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. References to "we," "our," or "us" generally refer to ESS, unless otherwise specified.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties. The following is a summary of the principal risks we face:

- We face significant barriers in our attempts to produce our energy storage products, certain of our energy storage products are still under development, and we may not be able to successfully develop our energy storage products at commercial scale. If we cannot successfully overcome those barriers, our business will be negatively impacted and could fail;
- As deployment of our energy storage products increases, we will incur corresponding warranty obligations. For earlier versions of second-generation energy storage products, our warranty obligations may be significant. If we are unable to develop our energy storage products for successful operation do not operate successfully in the field and or if we are unable to manage our warranty costs, our business and ability to generate revenue and achieve profitability could fail;
- We are in the early stage of commercialization. In addition, certain aspects of our technology have not been fully field tested. If we are unable to develop our business and effectively commercialize our energy storage products as anticipated, we may not be able to generate significant revenues or achieve profitability;
- We depend on third-party suppliers for the development and supply of key raw materials and components for our energy storage products. We also depend on vendors for the shipping of our energy storage products. Quality issues or delays in our supply chain and shipments could further harm our ability to manufacture and commercialize our energy storage products;
- We have experienced in the past and may experience delays in the future, delays, disruptions, or quality control problems in our manufacturing operations;
- Our ability The execution of our strategy to expand depends on into new markets through strategic partnerships, joint ventures and licensing arrangements is in a very early stage and is also subject to various risks which could adversely affect our ability to hire, train business and retain an adequate number of manufacturing employees, in particular employees with the appropriate level of knowledge, background and skills; future prospects;
- We may not be able Our contracted sales are subject to perform under our contracts or to realize the benefits risk of our agreements with strategic partners; termination by the contracting party;
- We may be unable to adequately control the costs associated with our operations and the components necessary to build our energy storage products, and if we are unable to reduce our cost structure and effectively scale our operations in the future, our ability to become profitable may be impaired;
- We rely on complex machinery for our operations and the production of our iron flow batteries involves a significant degree of risk and uncertainty in terms of operational performance and costs;
- Our expectations for future operating and financial results and market growth rely in large part upon assumptions and analyses developed by us. If these assumptions or analyses prove to be incorrect, our actual operating results may be materially different from our anticipated results;
- We have a history of losses and have to deliver significant business growth to achieve sustained, long-term profitability and long-term commercial success;

- Our warranty insurance provided by Munich Re is important to many potential customers. Should we be unable to maintain our relationship with Munich Re and be unable to find a similar replacement, demand for our products may suffer;
- Failure to deliver the benefits offered by our technology, or the emergence of improvements to competing technologies, could reduce demand for our energy storage products and harm our business;
- Our plans are dependent on the development of market acceptance of our products;
- We may face regulatory challenges to or limitations on our ability to sell our products directly in certain markets. Expanding operations internationally could expose us to additional risks;

- If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, then our business and results of operations could be materially harmed; and
- As we endeavor to expand our business, we will incur significant costs and expenses, which could outpace our cash reserves. Unfavorable conditions or disruptions in the capital and credit markets may adversely impact business conditions and the availability of credit.

The following risk factors apply to our business and operations. These risk factors are not exhaustive, and investors are encouraged to perform their own investigation with respect to our business, financial condition and prospects. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Risks Related to Our Technology, Products and Manufacturing

We face significant barriers in our attempts to produce our energy storage products, certain of our energy storage products are still under development, and we may not be able to successfully develop our energy storage products at commercial scale. If we cannot successfully overcome those barriers, our business will be negatively impacted and could fail.

Producing long-duration iron flow batteries that meet the requirements for wide adoption by commercial and utility-scale energy storage applications is a difficult undertaking. We are still in the early stage of commercialization and have faced and may yet face significant challenges in completing the development of our containerized energy storage products and in producing our energy storage products in commercial volumes. Some of the development challenges that could prevent the introduction of our iron flow batteries include difficulties with (i) increasing manufacturing capacity to produce the volume of cells needed for our energy storage products, (ii) installing and optimizing higher volume manufacturing equipment, (iii) packaging our batteries to ensure adequate cycle life, (iv) cost reduction, (v) qualifying new vendors and subcomponents, (vi) expanding supply chain capacity, (vii) the completion of rigorous and challenging battery safety testing required by our customers or partners, including but not limited to, performance, life and abuse testing and (viii) the development of the final manufacturing processes and specifications.

Our Energy Warehouses are still in the development stage. As of June 30, 2023September 30, 2023, we have limited deployment of second-generation S200 iron flow batteries energy storage products (S200 batteries) and there may be significant yield, cost, performance and manufacturing process challenges to be solved prior to as we ramp up commercial production and use. Our core battery components in the Energy Warehouse and the Energy Center also are still under development for integration into third-party systems. We are likely to encounter further engineering challenges as we increase the capacity and efficiency of our batteries. If we are not able to overcome these barriers in developing and producing our iron flow batteries, our business could fail.

Our second-generation energy storage products S200 batteries are manufactured on our first-generation ("Gen I") automation line. The Gen I automation line requires qualified labor to inspect the parts to ensure proper assembly. We have already experienced various issues related to the scaling up of the manufacturing process, and the lack of qualified labor to inspect our assemblies may further slow our production and impact our production costs and schedule. We have commissioned a new, more sophisticated, automation line, but it has not yet started commercial operations and any technical issues or delays in ramping up its use may impact our production costs and product quality. If we experience delivery or installation delays under our customer contracts, we could experience order cancellations and lose business as well as face lawsuits seeking liquidated damages.

Even if we complete development and achieve volume production of our iron flow batteries, if the cost, performance characteristics or other specifications of the batteries fall short of our targets, our sales, product pricing and margins would likely be adversely affected.

Table of Contents

We are in the early stage of commercialization. In addition, certain aspects of our technology have not been fully field tested. If we are unable to develop our business and effectively commercialize our energy storage products as anticipated, we may not be able to generate significant revenues or achieve profitability.

The growth and development of our operations will depend on the successful commercialization and market acceptance of our energy storage products and our ability to manufacture products at scale while timely meeting customers' demands. There is no certainty that, once shipped, our products will operate over the long term as expected, and we may not be able to generate sufficient customer confidence in our latest designs and ongoing product improvements or to perform under our contracts with customers. There are inherent uncertainties in our ability to predict future demand for our energy storage products and, as a consequence, we may have inadequate production capacity to meet demand, or alternatively, have excess available capacity. Our inability to predict the extent of customer adoption of our proprietary technologies in the already-established traditional energy storage market makes it difficult to evaluate our future prospects.

As of June 30, 2023September 30, 2023, we have limited second-generation products fully deployed. We began shipping our second-generation Energy Warehouses in the third quarter of 2021 and we are continuing to commission and test units. We have experienced various quality and performance issues with units that have been installed and although we have worked to repair or replace any known issues, our inability to address these or potential new issues effectively may have cost and warranty implications and may affect the acceptance of our products in the market. In addition, although we believe our iron flow battery technology is field tested and ready for sale, there are no assurances that our proprietary technologies, such as our Proton Pump, will operate as expected and with consistency. We have also experienced grid compatibility and other site integration issues that are not within our control, which has required and will continue to require an adjustment of our power electronics on a site-by-site basis. Our Energy Center product is still being developed and has not been completely designed or produced. In addition, certain operational characteristics of our Energy Warehouse or Energy Center products with S200 batteries have never been witnessed in the field. If our batteries are damaged during shipment, we may be required to repair or replace such units depending on the conditions for in-field serviceability. units. As we deploy our Energy Warehouse or Energy Center products with S200 batteries, we may discover further aspects of our technology that require improvement. Any of these issues could delay existing contracts and new sales, result in order cancellations, result in significant warranty obligations, and negatively impact the market's acceptance of our technology. If we experience significant delays, order cancellations or warranty claims, or if we fail to develop and install our energy storage products in accordance with contract specifications, then our operating results and financial condition could be adversely affected. In addition, there is no assurance that if we alter or change our energy storage products in the future, that the demand for these new products will develop, which could adversely affect our business and revenues. If our energy storage products are not deemed desirable and suitable for purchase and we are unable to establish a customer base, we may not be able to generate significant revenues or attain profitability.

We depend on third-party suppliers for the development and supply of key raw materials and components for our energy storage products. We also depend on vendors for the shipping of our energy storage products. Quality issues or delays in our supply chain and shipments could further harm our ability to manufacture and commercialize our energy storage products.

We depend on third-party suppliers for the development and supply of key raw materials and components for our energy storage products, including power module components (e.g., bipolar plates, frames, end plates and separators), shipping containers, chemicals and electronic components. We will need to maintain and significantly grow our access to key raw materials and control our related costs. We use various raw materials and components to construct our energy storage products, including polypropylene, iron and potassium chloride, that are critical to our manufacturing process. We also rely on third-party suppliers for injected molded parts and power electronics which undergo a qualification process that takes four to twelve months.

The cost of components for our iron flow batteries, whether manufactured by our suppliers or by us, depends in part upon the prices and availability of raw materials. In recent periods, we have seen an increase in costs for a wide range of materials and components and such increases may continue, particularly if the high rates of inflation seen in 2022 and the first three quarters of 2023 persist. Additionally, supply chain disruptions and access to materials have impacted and continue to impact our vendors and suppliers' ability to deliver materials and components to us in a timely manner. We have experienced significant disruptions to key supply chains, shipping times, shipping availability, manufacturing times, and increases in associated costs, both with respect to the sourcing of supplies and the delivery of our products. We have experienced and continue to experience delays to deliveries, vendor quality issues, as well as increases in our supply costs of many of our key components, including polypropylene, resin, power electronics, circuit board components and shipping containers. We expect such delays and cost increases to continue in through the remainder of 2023. The Chinese government has previously pursued and may reinstate 'zero COVID' policies, imposing lock downs that have adversely affected and may continue to adversely affect supply chains, which may further exacerbate these issues. We experienced delays in the delivery and installation of our semiautomated semi-automated production line that was delivered in the second quarter of 2022 and our automated production line that was

automated production line that was made operational in the fourth quarter of 2022 due to similar supply chain issues. If these we experience similar issues persist, in the future, including any delays on additional manufacturing automation equipment that we require, they may further delay our ability to produce our products and to recognize additional revenue, particularly for our larger scale Energy Center products (see also "*Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of Results of Operations—Revenue*").

We expect prices for these materials to continue to increase in the near term and then to fluctuate over time. Available supply for these materials may also be unstable, depending on market conditions and global demand for these materials, including as a result of increased global production of batteries and energy storage products. For example, our Proton Pump is manufactured with certain raw materials, which not only include precious and non-precious metals but also carbon, graphite and thermoplastics, the prices of which have historically fluctuated on a cyclical basis and depend on a variety of factors over which we have no control. We have also experienced increased prices and/or inconsistent quality and supply of other electrical components and power module components including frames, end plates and separators. Any reduced availability of these materials may impact our access to cells and any further increases in their prices may reduce our profitability if we cannot recoup the increased costs through increased prices for our products. In addition, we utilize shipping containers to house our iron flow batteries within our Energy Warehouses and Energy Centers. Shipping delays caused by various economic, weather and COVID-19 pandemic effects created a shortage in shipping containers and other supply chain delays in the past and may again in the future. We have limited visibility into these supply chain disruptions and increased shipping container costs. Given that our energy storage products rely Energy Warehouse product relies on the availability of shipping containers, such shortages may reduce our profitability if we are not able to pass the increased costs to our customers. Moreover, any such attempts to increase product prices may be difficult to achieve and even if achieved, may harm our brand, prospects and operating results.

In addition, global conflicts such as the conflict between Russia and Ukraine has and recent conflict in the Middle East have led to disruption, instability and volatility in the global markets and certain industries and may also lead to further disruptions, particularly if the conflict were to escalate further, that could negatively impact our operations and our supply chain. The U.S. government and other governments have already imposed severe sanctions and export controls against Russia and Russian interests and may yet impose additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, is currently unknown and they could adversely affect our business, supply chain, partners or customers.

We depend on third-party vendors for the shipping of our energy storage products. Recent conditions have also created disruptions in the logistics sector making it more challenging to find trucks to ship our products. Given current conditions, the shipping of our products to customers internationally in a timely, cost-effective, and cost-effective secure manner that does not damage our products may also prove challenging. The failure to deliver our products in a timely fashion or within budget may also harm our brand, prospects and operating results.

We do not know whether we will be able to maintain long-term supply relationships with our critical suppliers, or secure new long-term supply relationships on terms that will allow us to achieve our objectives, if at all.

We continually evaluate new suppliers, and we are currently qualifying several new suppliers. However, there are a limited number of suppliers for some of the key components of our products and we have, to date, fully qualified only a very limited number of such suppliers. Therefore, we have limited flexibility in changing suppliers. In addition, we have had issues with inconsistent quality and supply of other key power module components. We do not know whether we will be able to maintain long-term supply relationships with our critical suppliers, or secure new long-term supply relationships on terms that will allow us to achieve our objectives, if at all. A supplier's failure to develop and supply components in a timely manner, to supply components that meet our quality, quantity or cost requirements or our technical specifications, to support our warranty claims, or our inability to obtain alternative sources of these components on a timely basis or on terms acceptable to us, could each harm our ability to manufacture and commercialize our energy storage products. In addition, to the extent the processes that our suppliers use to manufacture components are proprietary, we may be unable to obtain comparable components from alternative suppliers, all of which could harm our business, financial condition and results of operations.

In the long term, we intend to supplement certain components from our suppliers by manufacturing them ourselves, which we believe will be more efficient and manufacturable at greater volumes and cost-effective than currently available components. However, our efforts to develop and manufacture such components have required and may require significant investments, and there can be no assurance that we will be able to accomplish this in the timeframes that we have planned or at all. If we are unable to do so, we may have to curtail our iron flow battery and energy storage product production or procure additional raw materials and components from suppliers at potentially greater costs, either of which may harm our business and operating results.

Table of Contents

We have experienced in the past, and may experience in the future, delays, disruptions, or quality control problems in our manufacturing operations.

Our manufacturing and testing processes require significant technological and production process expertise and modification to support our projected business objectives. We have already experienced various issues related to the scaling up of the manufacturing process and while we seek to prevent the reoccurrence of such issues, there can be no assurance that such issues will not reoccur in the future. In addition, any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified, and properly addressed and rectified. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased warranty reserves, increased production, and logistical costs and delays. Any of these developments could lead to current and potential customers cancelling or postponing their purchases of our products, which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to adequately control the costs associated with our operations and the components necessary to build our energy storage products, and if we are unable to reduce our cost structure and effectively scale our operations in the future, our ability to become profitable may be impaired.

Our ability to become profitable in the future will not only depend on our ability to successfully market our iron flow batteries, Energy Centers and Energy Warehouses, but also to control costs to manufacture our iron flow batteries, Energy Centers, and Energy Warehouses. If we are unsuccessful in our cost-reduction plans or if we experience design or manufacturing defects or other failures of our S200 battery as a result of these design changes, we could incur significant manufacturing and re-engineering costs. In addition, we will require significant capital to further develop and grow our business and expect to incur significant expenses, including those relating to research and development, raw material procurement, leases, sales and distribution as we build our brand and market our products, and general and administrative costs as we scale our operations. If we are unable to cost-efficiently design, manufacture, market, sell and distribute our energy storage products, our margins, profitability and prospects would be materially and adversely affected.

In addition, our Proton Pump is manufactured with certain raw materials, such as platinum, the prices of which have historically fluctuated on a cyclical basis and depend on a variety of factors over which we have no control. Substantial increases in the prices of raw materials would increase our operating costs and could adversely affect our profitability. The price of oil likewise fluctuates on a cyclical basis and has recently been subject to sustained cost pressure given current geopolitical events, which in turn may affect the cost of making, distributing and transporting our products. If we are unable to pass any such increased costs to our customers, this could have a material adverse effect on our business, financial condition and results of operations.

In order to achieve our business plan and reach profitability, we must continue to increase the number of units sold and reduce the manufacturing and development costs for our iron flow batteries, Energy Centers and Energy Warehouses, as at current volumes, production costs for our units significantly exceed their selling price. Additionally, certain of our existing customer contracts were entered into based on projections regarding cost reductions that assume continued advances in our manufacturing and services processes that we may be unable to realize. The cost of components and raw materials, for example, has been increasing and could continue to increase in the future, offsetting any successes in reducing our manufacturing costs. Any such increases could slow our growth and cause our financial results and operational metrics to suffer. In addition, we may face increases in our other expenses including increases in wages or other labor costs as well as installation, marketing, sales or related costs. In order to expand into new markets (especially markets in which the price of electricity from the grid is lower), we will need to continue to reduce our costs. Increases in any of these costs or our failure to achieve projected cost reductions could adversely affect our results of operations and financial condition and harm our business and prospects. If we are unable to reduce our cost structure in the future, we may not be able to achieve profitability, which could have a material adverse effect on our business and our prospects.

Further, we have not yet produced iron flow batteries, Energy Warehouses or Energy Centers at volume and our expected cost advantage for the production of these products at scale, compared to conventional lithium-ion cells, will require us to achieve rates of throughput, use of electricity and consumables, yield, and rates of automation demonstrated for mature battery, battery material, and manufacturing processes, that we have not yet achieved. If we are unable to achieve these targeted rates, our business will be adversely impacted.

In addition, customers may also have specific site requirements and interface technology or experience delays in preparing their site for equipment installation, which has caused, and in the future may continue to cause, delays with respect to delivery and installation and potentially our ability to recognize revenue.

Table of Contents

We rely on complex machinery for our operations and the production of our iron flow batteries involves a significant degree of risk and uncertainty in terms of operational performance and costs.

We rely heavily on complex machinery for our operations and the production of our iron flow batteries, and this equipment has not yet been used before for the large-scale manufacturing of iron flow batteries. The work required to integrate this equipment into the production of our iron flow batteries is time intensive and requires us to work closely with the equipment provider to ensure that it works properly for our unique iron flow battery technology. This integration work will involve a significant degree of uncertainty and risk and may result in a delay in the scaling up of production or result in additional cost to our iron flow batteries.

Our manufacturing facilities utilize large-scale machinery, particularly for the automated production line. Such machinery is likely to suffer unexpected malfunctions from time to time and will require repairs and spare parts to resume operations, which may not be available when needed. Unexpected malfunctions of our production equipment may significantly affect the intended operational efficiency or yield. Some examples would be inadequate bonding of the battery cells resulting in overboard or internal leakage, damage to the separator, or cracked bipolar or monopolar plates. In addition, because this equipment has never been used to build iron flow batteries, the operational performance and costs associated with this equipment can be difficult to predict and may be influenced by factors outside of our control, such as, but not limited to, failures by suppliers to deliver necessary components of our energy storage products in a timely manner and at prices and volumes acceptable to us, environmental hazards and remediation, difficulty or delays in obtaining governmental permits, damages or defects in systems, industrial accidents, fires, seismic activity and other natural disasters.

Operational problems with our manufacturing equipment could result in the personal injury to or death of workers, the loss of production equipment, damage to manufacturing facilities, monetary losses, delays and unanticipated fluctuations in production. In addition, operational problems may result in environmental damage, administrative fines, increased insurance costs and potential legal liabilities. All of these operational problems could have a material adverse effect on our business, cash flows, financial condition or results of operations.

Our future success depends in part on our ability to increase our production capacity, and we may not be able to do so in a cost-effective manner. If we elect to expand our production capacity by constructing one or more new manufacturing facilities, we may encounter challenges relating to the construction, management and operation of such facilities.

In order to grow our business, we will need to increase our production capacity. For example, our current manufacturing capacity may not be sufficient to meet our planned production targets and we are currently seeking to expand our capacity. Our ability to plan, construct and equip additional manufacturing facilities is subject to significant risks and uncertainties, including but not limited to the following:

- The expansion or construction of any manufacturing facilities will be subject to the risks inherent in the development and construction of new facilities, including risks of delays and cost overruns as a result of factors outside our control, which may include delays in government approvals, burdensome permitting conditions, and delays in the delivery or installation of manufacturing equipment and subsystems that we manufacture or obtain from suppliers, similar to or more severe than what we have experienced recently.
- In order for us to expand internationally, we anticipate entering into strategic partnerships, joint venture and licensing agreements that allow us to add manufacturing capability outside of the United States. Adding manufacturing capacity in any international location will subject us to new laws and regulations including those pertaining to labor and employment, environmental and export / import. In addition, any such expansion brings with it the risk of managing larger scale foreign operations.
- We may be unable to achieve the production throughput necessary to achieve our target annualized production run rate at our current and future manufacturing facilities.
- Manufacturing equipment may take longer and cost more to engineer and build than expected and may not operate as required to meet our production plans.
- We may depend on third-party relationships in the development and operation of additional production capacity, which may subject us to the risk that such third parties do not fulfill their obligations to us under our arrangements with them.
- We may be unable to attract or retain qualified personnel.

If we are unable to expand our manufacturing facilities, we may be unable to further scale our business, which would negatively affect our results of operations and financial condition. We cannot provide any assurances that we would be able to successfully establish or operate an additional manufacturing facility in a timely or profitable manner, or at all, or within

any expected budget for such a project. The construction of any such facility would require significant capital expenditures and result in significantly increased fixed costs. If we are unable to transition manufacturing operations to any such new facility in a cost-efficient and timely manner, then we may experience disruptions in operations, which could negatively impact our business and financial results. Further, if the demand for our products decreases or if we do not produce the expected output after any such new facility is operational, we may not be able to spread a significant amount of our fixed costs over the production volume, thereby increasing our per product fixed cost, which would have a negative impact on our business, financial condition and results of operations.

In addition, if any of our partners suffer from capacity constraints, deployment delays, work stoppages or any other reduction in output, we may be unable to meet our delivery schedule, which could result in lost revenue and deployment delays that could harm our business and customer relationships. If the demand for our iron flow batteries, Energy Centers and Energy Warehouses or our production output decreases or does not rise as expected, we may not be able to spread a significant amount of our fixed costs over the production volume, resulting in a greater than expected per unit fixed cost, which would have a negative impact on our financial condition and our results of operations.

Our ability to expand our manufacturing capacity would also greatly depend on our ability to hire, train and retain an adequate number of manufacturing employees, in particular employees with the appropriate level of knowledge, background and skills. Should we be unable to hire, train, or retain such employees, our business and financial results could be negatively impacted.

We have in the past and may be compelled in the future to undertake product recalls or take other actions, which could adversely affect our business, prospects, operating results, reputation and financial condition.

We have in the past and may be compelled in the future to undertake product recalls. For example, in the past, we had to recall our Gen I battery modules due to vendors not properly manufacturing the parts to our specifications and we have also had to replace, and continue to expect to replace, certain components of our Gen II battery modules delivered to customers to date. Any quality issues can result in single module failures or can result in a cascade of numerous failures. Failures in the field can result in a single module replacement or may result in a total recall depending on the severity or contamination to the remainder of the system.

Any product recall in the future may result in adverse publicity, damage our reputation and adversely affect our business, financial condition and results of operations. In the future, we may, voluntarily or involuntarily, initiate a recall if any of our Energy Warehouses, Energy Centers, iron flow batteries, Proton Pump or components prove to be defective or noncompliant with applicable safety standards. Such recalls, whether caused by systems or components engineered or manufactured by us or our suppliers, would involve significant expense and diversion of management's attention and other resources, which could adversely affect our brand image in our target market and our business, financial condition and results of operations.

If required maintenance is performed incorrectly or if maintenance requirements exceed our current expectations, this could adversely affect our reputation, prospects, business, financial condition and results of operations.

Our energy storage products require periodic maintenance, such as the cleaning or replacement of air filters, inspection and re-torquing of electrical or mechanical fasteners, and the replenishment of hydrogen. These maintenance items are typically scheduled on a quarterly basis but may vary depending on how the customer uses the product. We currently rely on our customers that do not have service agreements with us or that perform maintenance that is not covered by such agreements to follow our product operations and maintenance manuals. If our customers or third parties retained by our customers fail to maintain or perform any required maintenance incorrectly, this may damage or adversely affect the performance of our energy storage products, which could adversely affect our reputation, prospects, business, financial condition and results of operations. Furthermore, there is risk of harm to persons or property if individuals performing maintenance do not follow applicable maintenance or safety protocols. Any such injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity could adversely affect our reputation, prospects, business, financial condition and results of operations.

In addition, for customers that have purchased maintenance services from us, unforeseen issues may arise that may require maintenance beyond what we currently expect. We have no experience providing maintenance on a large scale and since our existing and potential customers are geographically dispersed, if any recurring or significant one-off maintenance is required, this could increase our costs.

Table of Contents

Our relationship with related parties, SBE, an affiliate of SoftBank Group Corp., and UOP is subject to various risks which could adversely affect our business and future prospects. There are no assurances that we will be able to commercialize iron flow batteries from our joint development relationship with SBE. such parties. In addition, neither SBE nor UOP has no any obligation to order any energy storage products from us under the framework agreement, agreements with such business partners, including at any price point.

In April 2021, we signed a framework agreement with SBE to supply our energy storage products to SBE in support of its market activities. Under this agreement, we have made various commitments to meet SBE's potential need for our energy storage products and are obligated to reserve a certain percentage of our manufacturing capacity to meet SBE's future needs, subject to periodic reviews of its firm and anticipated orders, which may negate those capacity reservations if no firm demand is realized. However, SBE is under no obligation to place any firm orders with us at any price point, and any future orders may be subject to future pricing or other commercial or technical negotiations, which we may not be able to satisfy, resulting in a diminished potential value of this relationship to us. To date, no orders have been placed under the framework agreement.

On September 21, 2023, we signed a Supply Agreement with UOP, pursuant to which UOP may purchase equipment supplied by us, and we agreed to issue additional warrants to purchase common stock to UOP, consisting of (i) an initial Performance Warrant to issue up to 775,760 shares of common stock, issued on September 21, 2023 in exchange for a prepayment of equipment by UOP in the amount of $15 million, and (ii) additional Performance Warrants (not to exceed an aggregate value of $15 million based on target purchase amounts of up to $300 million by 2030) to be issued on an annual basis for the five-year period beginning in 2026, based on UOP's purchase of additional equipment after execution of the Supply Agreement. On September 21, 2023, we and UOP also entered into a Joint Development Agreement, pursuant to which we and UOP have agreed to work together to collaborate and engage in certain research and development activities generally related to flow battery technology, and a Patent License Agreement, pursuant to which UOP will license certain patent rights to us. However, Honeywell is under no obligation to place any additional firm orders with us at any price point, and any future orders may be subject to future pricing or other commercial or technical negotiations, which we may not be able to satisfy, resulting in a diminished potential value of this relationship to us. In addition, we and Honeywell may not be able to agree on activities and endeavors to pursue under the Joint Development Agreement, activities under the Joint Development may not be successful, or the Patent License Agreement may have limited value to us.

SBE, UOP, and any other business partners in the future, may have economic, business or legal interests or goals that are inconsistent with our goals. Any disagreements with SBE our current or other future business partners may impede our ability to maximize the benefits of these partnerships and slow the commercialization of our iron-flow batteries. Future commercial or strategic counterparties may require us, among other things, to pay certain costs or to make certain capital investments or to seek their consent to take certain actions. In addition, if SBE is our business partners are unable or unwilling to meet its sourcing, development, or other obligations under our partnership arrangements, we may be required to fulfill those obligations alone. These factors could result in a material adverse effect on our business and financial results.

The execution of our strategy to expand into new markets through strategic partnerships, joint ventures and licensing arrangements is in a very early stage and is also subject to various risks which could adversely affect our business and future prospects.

We may enter into strategic partnerships, joint ventures and licensing arrangements to expand our business and enter into new markets. However, there is no assurance that we will be able to consummate any such arrangements as contemplated to commercialize our energy storage products. There is also no assurance that we will be able to realize the benefits of any such arrangements even if we do enter into such strategic partnerships, joint ventures and licensing arrangements and there is always a risk that either party may be unable to comply with its delivery, payment, or other obligations under any such arrangement, as applicable. The occurrence of any such risks may result in diminished potential value of these types of relationships to us. For example, we entered into a strategic partnership with Energy Storage Industries Asia Pacific ("ESI") in August 2022 and into a framework agreement with SMUD in September 2022. Under the terms of our agreement with ESI, we commenced delivery of Energy Warehouse systems to ESI in 2022 and early 2023 and expect to continue deliveries in 2023 and 2024 to fulfill their orders. ESI is expected to construct a manufacturing facility in Queensland, Australia, equipped to conduct final assembly of our systems from 2025 onward; however, ESI may be delayed or unable to complete construction of the manufacturing facility or may cancel or decline to place future orders of our product, whether due to funding constraints or other reasons, which may require ESS to find alternative arrangements to addressing the market, such as supplying products directly or identifying alternative in-country facilities. We made the first delivery of our systems to SMUD during the second quarter of 2023, but SMUD is under no obligation to place additional orders with us.

Any future strategic partnerships, joint ventures or licensing arrangements may require us, among other things, to pay certain costs, make certain capital investments or to seek the partner's consent to take certain actions. In addition, if a partner is unable or unwilling to meet its economic or other obligations under the respective arrangements, we may be required to either fulfill those obligations alone to ensure the ongoing success of, or to dissolve and liquidate, the partnership, joint venture or licensing arrangement. These factors could result in a material adverse effect on our business, prospects and financial results.

Risks Related to Our Business and Industry

Our expectations for future operating and financial results and market growth rely in large part upon assumptions and analyses developed by us. If these assumptions or analyses prove to be incorrect, our actual operating results may be materially different from our anticipated results.

We operate in rapidly changing and competitive markets and our expectations for future performance are subject to the risks and assumptions made by management with respect to our industry. Operating results are difficult to predict because they generally depend on our assessment of the timing of adoption of our technology and energy storage products, which is uncertain. Expectations for future performance are also subject to significant economic, competitive, industry and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond our control, and subsequent developments may affect such expectations. As discussed elsewhere in this Quarterly Report on

Form 10-Q, any future sales and related future cash flows may not be realized in full or at all. Furthermore, our planned expansion into new revenue streams such as franchising opportunities for our energy storage products may never be realized or achieve commercial success, whether because of lack of market adoption of our energy storage products, competition or otherwise. Important factors that may affect the actual results and cause our operating and financial results and market growth expectations to not be achieved include risks and uncertainties relating to our business, industry performance, the regulatory environment, general business and economic conditions and other factors described under the section entitled "*Cautionary Note Regarding Forward-Looking Statements*" of this Quarterly Report on Form 10-Q.

In addition, expectations for future performance also reflect assumptions that are subject to change and do not reflect revised prospects for our business, changes in general business or economic conditions or any other transaction or event that has occurred or that may occur and that was not previously anticipated. In addition, long-term expectations by their nature become less predictive with each successive year. There can be no assurance that our future financial condition or results of operations will be consistent with our expectations or with the expectations of investors or securities research analysts, which may cause the market price of our common stock to decline. If actual results differ materially from our expectations, we may be required to make adjustments in our business operations that may have a material adverse effect on our financial condition and results of operations.

We have a history of losses and have to deliver significant business growth to achieve sustained, long-term profitability and long-term commercial success.

We have had net losses on a U.S. GAAP basis in each fiscal year since our inception. For the six nine months ended June 30, 2023 September 30, 2023 we had $44.8 million $61.4 million in net losses and $663.4 million $680.0 million in accumulated deficit as of June 30, 2023 September 30, 2023. In order to achieve profitability as well as long-term commercial success, we must continue to execute our plan to expand our business, which will require us to deliver on our existing global sales pipeline in a timely manner, increase our production capacity, reduce our manufacturing and warranty costs, competitively price and grow demand for our products, and seize new market opportunities by leveraging our proprietary technology and our manufacturing processes for novel solutions and new products. Failure to do one or more of these things could prevent us from achieving sustained, long-term profitability.

As we transition from our research and development phase and into a full commercial phase, we expect, based on our sales pipeline, to grow revenues. However, our revenue may not grow as expected for a number of reasons, many of which are outside of our control, including a decline in global demand for iron flow battery storage products, increased competition, or our failure to continue to capitalize on growth opportunities. If we are not able to generate and grow revenue and raise the capital necessary to support our operations, we may be unable to continue as a going concern.

Our energy storage products are still under development, and there There is no assurance nonbinding pre-orders or framework agreements will be converted into binding orders or that orders will be completed.

Our business model is focused on building relationships with large customers. To date, we have engaged in limited marketing activities and we have only a limited number of contracts with customers. Our Certain of our energy storage products are still subject to ongoing development design evolution and until the time that the design and development of our energy storage products is complete and is commercially available for purchase, stabilizes, and until we are able to scale up our marketing function to support sales, there will be uncertainty as to customer demand for our energy storage products. Demand for our energy storage products by independent energy developers may depend upon a bankability determination by institutional sources of project finance capital and that determination may be

difficult to obtain. The potentially long wait from the time an order is made until the time our energy storage products are delivered, and any delays beyond expected wait times, could also impact user decisions on whether to ultimately make a purchase. There is no assurance that nonbinding pre-orders or framework agreements will be converted into binding orders or sales. Even if we are able to obtain binding orders, customers may limit their volume of purchases initially as they assess our products and whether to make a broader transition to our energy storage products. This may be a long process and will depend on the safety, reliability, efficiency and quality of our energy storage products, as well as the support and service that we offer. It will also depend on factors outside of our control, such as general market conditions and site capacity, that could impact customer buying decisions. As a result, there is significant uncertainty regarding demand for our energy storage products and the pace and levels of growth that we will be able to achieve.

In addition, some of the Energy Warehouse units we have shipped to date have not met the specifications set forth in the purchase contracts for such units, resulting in additional installation time and costs in order to receive customer acceptance of such units. If we are unable to meet contractual performance specifications of our units, customers may bring claims against us or choose to cancel or postpone orders, which would adversely affect our business, financial condition and results of operations.

Our warranty insurance provided by Munich Re is important to many potential customers. Should we be unable to maintain our relationship with Munich Re and be unable to find a similar replacement, demand for our products may suffer.

Our business is substantially dependent on our relationship with Munich Re. Our warranty insurance provided by Munich Re is important to many potential customers, and such warranty insurance is a bespoke product not widely offered by multiple insurers. There is no assurance that we will be able to maintain our relationship with Munich Re. If Munich Re terminates or significantly alters its relationship with us in a manner that is adverse to the company, Company, our business would be materially adversely affected. Similarly, if we are unable to maintain our relationship with Munich Re, or if our arrangement with Munich Re is modified so that the economic terms become less favorable to us, we may be unable to find a similar replacement warranty insurance and our business would be materially adversely affected.

Failure to deliver the benefits offered by our technology, or the emergence of improvements to competing technologies, could reduce demand for our energy storage products and harm our business.

We believe that, compared to lithium-ion batteries, our energy storage solutions offer significant benefits, including using widely available, low-cost materials with no rare mineral components, being substantially recyclable at end-of-life, having an approximate 25-year product design life, and having a wide thermal operating range that eliminates reduces the need for fire suppression and heating (except where otherwise required by applicable law), ventilation and air conditioning equipment, which would otherwise be required for use with lithium-ion batteries.

However, if our manufacturing costs increase, or if our or our customers' expectations regarding the operation, performance, maintenance and disposal of our energy storage products are not realized, then we could have difficulty marketing our energy storage products as a superior alternative to already-established technologies. This would also impact the market reputation and adoptability of our energy storage products.

We also currently market our energy storage products as having superior design cyclability to other energy storage solutions on the market. However, in general, flow batteries have suffered challenges running multiple cycles over their lifetime without experiencing degradation in storage capacity and, in particular, earlier iterations of our iron flow batteries, specifically our first-generation units, have failed at cycling reliably in the past. All of our first-generation units (except for two where one, with the prototype trials continue) only other existing first-generation unit recently replaced by a second-generation unit) have been returned to us and so the continuing risk of product failure on our first-generation units is limited. However, there is no assurance that our second-generation units will not fail or have issues cycling in the future if our technology does not operate as expected. If our technology is inadequate or our energy storage solutions fail to operate as expected or designed, our warranty costs may be significant and current and potential customers may choose to cancel or postpone orders or seek alternative solutions for their energy storage needs, which would adversely affect our business, financial condition and results of operations.

In addition, developments of existing and new technologies could improve the cost and usability profile of such alternative technologies, reducing any relative benefits currently offered by our energy storage products, which would negatively impact the likelihood of our energy storage products gaining market acceptance.

Our plans are dependent on the development of market acceptance of our products.

Our plans are dependent upon market acceptance of our products. Iron flow batteries represent an emerging market, and we cannot be sure that potential customers will accept iron flow batteries as a replacement for traditional power sources. In particular, traditional lithium-ion batteries, which are already produced on a large global scale and have widespread market

acceptance, offer higher power density and round-trip efficiency than our iron flow batteries. If customers were to place greater value on power density and round-trip efficiency over what we believe to be the numerous other advantages of our technology, then we could have difficulty positioning our iron flow batteries as a viable alternative to traditional lithium-ion batteries and our business would suffer.

As is typical in a rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. It is difficult to predict with certainty the size of the energy storage market and its growth rate. The development of a market for our products may be affected by many factors that are out of our control, including:

- the cost competitiveness of our products including availability and output expectations and total cost of ownership;
- the future costs associated with renewable energies;
- perceived complexity and novelty of our technology and customer reluctance to try a new product;
- the market for energy storage solutions and government policies that affect those markets;

Table of Contents

- government incentives, mandates or other programs favoring zero carbon energy sources;
- local permitting and environmental requirements;
- customer preference for lithium-ion based technologies, including but not limited to the power density offered by lithium-ion batteries; and
- the emergence of newer, more competitive technologies and products.

If a sufficient market fails to develop or develops more slowly than we anticipate, we may be unable to recover the losses we will have incurred in the development of our products, and we may never achieve profitability.

Our future growth and success depend on our ability to sell effectively to large customers.

Many of our potential customers are electric utilities, and C&I businesses that tend to be large enterprises. Therefore, our future success will depend on our ability to effectively sell and deliver our products to such large customers. Sales to these end-customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller customers. These risks include, but are not limited to, (i) increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us and (ii) longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end customer that elects not to purchase our solutions.

Large organizations often undertake a significant evaluation process that results in a lengthy sales cycle. In addition, product purchases by large organizations are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. Finally, large organizations typically have longer implementation cycles, require greater product functionality and scalability, require a broader range of services, demand that vendors take on a larger share of risks and expect greater payment flexibility. All of these factors can add further risk to business conducted with these potential customers.

We operate in highly competitive energy industries and there is increasing competition. Many of our competitors and potential competitors have substantially greater financial, marketing, personnel and other resources than we do and if we do not compete effectively, our competitive positioning and our operating results will be harmed.

The energy storage markets in which we intend to compete continue to evolve and are highly competitive. Many of our current and potential competitors are large entities at a more advanced stage in development and commercialization than we are and, in some cases, have substantially greater financial, marketing, personnel and other resources, to increase their market share. Our key competitors include different energy storage technologies such as lithium-ion batteries, lithium metal batteries, vanadium or zinc bromine batteries, sodium sulfur batteries, compressed air, hydrogen, fuel cell and pumped-storage hydropower. If our competitors continue to penetrate the energy storage market, our prospects for gaining market share will be diminished.

We expect competition in energy storage technology to intensify due to a regulatory push for lower-carbon energy sources, including intermittent sources such as wind and solar, continuing globalization, and consolidation in the energy industry. Developments in alternative technologies or improvements in energy storage technology made by competitors may materially adversely affect the sales, pricing and gross margins of our products.

Some of our current and potential competitors have longer operating histories and greater financial, technical, marketing and other resources than we do. These factors may allow our competitors to respond more quickly or efficiently than we can to new or emerging technologies. These competitors may engage in more extensive research and development efforts,

Table of Contents

undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to more effectively compete for new energy storage projects and customers.

Our project awards and sales pipeline may not convert to contracts, which may have a material adverse effect on our revenue and cash flows.

We expect a significant portion of the business that we will seek in the foreseeable future will be awarded through competitive bidding against other energy storage technologies and other forms of power generation. The competitive bidding process involves substantial costs and a number of risks, including the significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us and our failure to accurately estimate the resources and costs that will be required to fulfill any contract we win. In addition, following a contract award, we may encounter significant expense, delay or contract modifications or award revocation as a result of our competitors protesting or challenging contracts awarded to us in competitive bidding. Our failure to compete effectively in this procurement environment could adversely affect our revenue and/or profitability.

Some of the project awards we receive and orders we accept from customers require certain conditions or contingencies (such as permitting, interconnection, financing or regulatory approval) to be satisfied, some of which are outside of our

Table of Contents

control. Certain awards are cancellable or revocable at any time prior to contract execution. The time periods from receipt of an award to execution of a contract, or receipt of a contract to installation may vary widely and are determined by a number of factors, including the terms of the award, governmental policies or regulations that go into effect after the award, the terms of the customer contract and the customer's site requirements. These same or similar conditions and contingencies may be required by financiers in order to draw on financing to complete a project. If these conditions or contingencies are not satisfied, or changes in laws affecting project awards occur, or awards are revoked or cancelled, project awards may not convert to contracts, and installations may be delayed or canceled. This could have an adverse impact on our revenue and cash flow and our ability to complete construction of a project.

We also bear the risk of non-payment or late payments by our customers. In the near term, we will depend on a relatively small number of customers for a significant portion of our revenue. If these customers fail to pay us, cash flow from operations are impacted and our operating results and financial condition could be harmed. If a contract is cancelled due to the customer's inability to pay, the redeployment of our product(s) could be expensive and it may take time to find a replacement customer to whom our product(s) could be redeployed in a cost-effective manner.

Our contracted sales are subject to the risk of termination by the contracting party.

The majority of our commercial contracts contain provisions which allow the customer to terminate an agreement if certain conditions are not met, including the failure to meet performance specifications or for other defaults, or for extended force majeure. Our customers are also subject to force majeure events and may issue such notices to us. In addition, certain of our contracts can be terminated by the customer simply for convenience. Our older contracts in particular may contain terms or performance obligations with which we are not able to comply, in addition to reflecting site and solution needs that are not optimal for our technology. We have experienced in the past, and may experience in the future, order cancellations or contract terminations, which could have an adverse impact on our revenues, longer term potential and market reputation, which would have an even greater impact on our ability to achieve future sales.

We may not be able to accurately estimate the future supply and demand for our products and services, which could result in a variety of inefficiencies in our business and hinder our ability to generate revenue. If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience delays.

We are a company with a limited operating history. As we continue the transition from research and development activities to commercial production and sales, it is difficult to predict our future revenues and appropriately budget for our expenses, and we may have limited insight into trends that may emerge and affect our business. We anticipate being required to provide expectations of our demand to our current and future suppliers prior to the scheduled delivery of products to potential customers. Currently, there is limited historical basis for making judgments on the demand for our products and services or our ability to develop, manufacture, and deliver iron flow batteries, or our profitability in the future. If we overestimate our requirements, our suppliers may have excess inventory, which indirectly would increase our costs. If we underestimate our manufacturing requirements, our suppliers may have inadequate inventory or capacity, which could interrupt manufacturing of our products and result in delays in shipments and revenues. In addition, lead times for materials and components that our suppliers order may vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If we fail to order sufficient quantities of product components in a timely manner, the delivery of batteries to our potential customers could be delayed, which would harm our business, financial condition and results of operations.

Table of Contents

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of customer service, or adequately address competitive challenges.

We have experienced significant growth in customer contracts in recent periods and intend to continue to expand our business significantly within existing and new markets. This growth has placed, and any future growth may place, a significant strain on management, operational, and financial infrastructure. In particular, we will be required to expand, train, and manage our growing employee base and scale and otherwise improve our information technology ("IT") infrastructure in tandem with that headcount growth. Management will also be required to maintain and expand our relationships with customers, suppliers, and other third parties and attract new customers and suppliers, as well as manage multiple geographic locations.

Our current and planned operations, personnel, customer support, IT, information systems, and other systems and procedures might be inadequate to support future growth and may require us to make additional unanticipated investment in our infrastructure. Our success and ability to scale our business will depend, in part, on our ability to manage these changes in a cost-effective and efficient manner. If we cannot manage our growth, then we may be unable to take advantage of market opportunities, execute our business strategies, or respond to competitive pressures. This could also result in declines in quality or customer satisfaction, increased costs, difficulties in introducing new offerings, or other operational difficulties. Any failure to effectively manage growth could adversely impact our business and reputation.

Table of Contents

We have signed product sales contracts and have entered into service agreements with customers. If we do not meet the obligations under these agreements or if our estimates of the projected useful life of our energy storage products are inaccurate, our business and financial results could be adversely affected.

We have entered into service agreements with certain customers for our energy storage products with terms of up to 25 years. Under the provisions of these contracts, we will provide services to maintain, monitor, and repair our energy storage products to meet minimum operating levels. While we have conducted tests to determine the overall life of our energy storage products, we have not run certain of our energy storage products over their projected useful life or in all potential conditions prior to large scale commercialization. As a result, we cannot be sure that these energy storage products will last to their expected useful life or perform as anticipated in all conditions, which could result in warranty claims, performance penalties, maintenance, on-going servicing and battery module replacement costs and/or a negative perception of our energy storage products.

Further, the occurrence of chronic defects or other chronic performance problems with respect to our deployed energy storage products could result in loss of customers, legal claims, including warranty and service agreement claims, or diversion of our resources, including through increased service and warranty expenses or financial concessions, and increased insurance costs. The costs incurred in correcting any material defects in our deployed energy storage products may be substantial and could adversely affect our business, financial condition, and results of operations.

Failure to adhere to contractual support warranty and services obligations may adversely affect our relationships with our customers and adversely affect our business, financial condition, and results of operations.

Our customers depend on our support organization to resolve performance issues relating to our energy storage products. Any failure to maintain high-quality support services, or a market perception that we do not maintain high-quality and highly responsive customer support, could adversely affect our reputation, our ability to sell our energy storage products to existing and prospective customers, and our business, financial condition and results of operations.

Our ability to proceed with projects under development and complete construction of projects on schedule and within budget are subject to contractual, technology, operating and commodity risks as well as market conditions that may affect our operating results.

Our ability to proceed with projects under development and complete construction of projects on schedule and within budget may be adversely affected by escalating costs and lead times for materials and components, tariffs, labor and regulatory compliance, inability to obtain necessary permits, interconnections or other approvals on acceptable terms or on schedule and by other factors. If any development project or construction is not completed, is delayed or is subject to cost overruns, we could become obligated to make delay or termination payments or become obligated for other damages under contracts, experience diminished returns or write off all or a portion of our capitalized costs in the project. Each of these events could have an adverse effect on our business, financial condition and results of operations. We currently face and will continue to face significant competition, including from products using other energy sources that may be lower priced or have preferred environmental characteristics.

We compete on the basis of our energy storage products' reliability, efficiency, environmental sustainability and cost. Technological advances in alternative energy products, improvements in the electric grid or other sources of power generation, or new battery technologies or market entrants may negatively affect the development or sale of some or all of our energy storage products or make our energy storage products less economically attractive, non-competitive or obsolete

prior to or after commercialization. Significant decreases in the price of alternative technologies, or significant increases in the price of the materials we use to build our energy storage products could have a material adverse effect on our business because other generation sources could be more economically attractive to consumers than our energy storage products.

We invest significantly in research and development, and to the extent our research and development investments are not directed efficiently or do not result in material enhancements to our products and technologies, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our research and development efforts to enhance the features, functionality, performance and ease of use of our products and technologies to address additional applications that will broaden the appeal of our products and technologies and facilitate their broad use. Research and development projects can be technically challenging and expensive. As a result of the nature of research and development cycles, there will be delays between the time we incur expenses associated with research and development activities and the time we are able to offer compelling enhancements to our products and technologies and generate revenue, if any, from those activities. If we expend a significant amount of resources on research and development efforts that do not lead to the successful introduction of new products, functionality or improvements that are competitive in our current or future markets, our business and results of operations will suffer.

The loss of one or more members of our senior management team and other key personnel or our failure to attract and retain qualified personnel may adversely affect our business and our ability to achieve our anticipated level of growth.

We depend on the continued services of our senior management team and other key personnel, each of whom would be difficult to replace. The loss of any such personnel, or the inability to effectively transition to their successors, could have a material adverse effect on our business and our ability to implement our business strategy. All of our employees, including our senior management, are free to terminate their employment relationships with us at any time. Any changes to our senior management team, including hires or departures, could cause disruption to our business and have a negative impact on operating performance, while these operational areas are in transition.

Additionally, our ability to attract qualified personnel, including senior management and key technical personnel, is critical to the execution of our growth strategy. Competition in the labor market, including for qualified senior management personnel and highly skilled individuals with technical expertise, is extremely intense. We face and are likely to continue to face challenges identifying, hiring, and retaining qualified personnel in all areas of our business, and we can provide no assurance that we will find suitable successors as transitions occur. In addition, integrating new employees into our team, and key personnel in particular, could prove disruptive to our operations, require substantial resources and management attention, and ultimately prove unsuccessful. Our failure to attract and retain qualified personnel in all areas of our business, including senior management and other key technical personnel, could limit or delay our strategic efforts, which could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations may fluctuate from quarter to quarter, which could make our future performance difficult to predict and could cause our results of operations for a particular period to fall below expectations, resulting in a decline in the price of our common stock.

Our products take many months to manufacture and prepare for delivery and any revenue in future periods may fluctuate based on underlying customer arrangements. Further, we expect our arrangements may have multiple deliverables and performance obligations and the amount and timing of recognizing revenue for those different performance obligations may vary which could cause our revenue to fluctuate. Our revenues also depend on a number of other factors, some of which are beyond our control, including the impact of supply chain issues (see also "*—Risks Related to Our Technology, Products and Manufacturing—We depend on third-party suppliers for the development and supply of key raw materials and components for our energy storage products. We also depend on vendors for the shipping of our energy storage products. Continued delays in our supply chain and shipments could further harm our ability to manufacture and commercialize our energy storage products.*"). As a result, our quarterly results of operations are difficult to predict and may fluctuate significantly in the future.

We will initially depend on revenue generated from a single product currently and in the foreseeable future will be significantly dependent on a limited number of products.

We will initially depend on revenue generated initially from our Energy Warehouses and later on, our Energy Centers and core battery components, currently and in the foreseeable future will continue to be significantly dependent on a limited number of products. revenue generated from our Energy Warehouses, Energy Centers and the servicing thereof. Given that for the foreseeable future our business will depend on a limited number of products, to the extent our products are not well-received by the market, our sales volume, business, financial condition and results of operations would be materially and adversely affected.

Our cost reduction strategy may not succeed or may be significantly delayed, which may result in our inability to achieve profitability.

Our ability to successfully implement our overall business strategy relies on our ability to reduce development and manufacturing costs in the future. Our cost reduction strategy is based on the assumption that increases in production will result in economies of scale. In addition, our cost reduction strategy relies on advancements in our manufacturing process, global competitive sourcing, engineering design, reducing the cost of capital and technology improvements (including stack life and projected power output). Its successful implementation also depends on a number of factors, some of which are beyond our control, including the impact of inflation and the timely delivery of key supplies at reasonable prices. For example, our current supply imbalance may result in additional costs that exceed our current expectations. There is no assurance that our cost reduction strategy will be successful and failure to achieve our cost reduction targets could have a material adverse effect on our business, financial condition and results of operations.

Our planned expansion into new geographic markets or new product lines or services could subject us to additional business, financial, and competitive risks.

We have entered into contracts and other agreements to sell our products in a number of different geographic markets, including the United States, Europe (European Union (EU) and non-EU), and Australia. We have in the past, and may in the future, evaluate opportunities to expand into new geographic markets and introduce new product offerings and services

that are a natural extension of our existing business. We also may from time to time engage in acquisitions of businesses or product lines with the potential to strengthen our market position, enable us to enter attractive markets, expand our technological capabilities, or provide synergy opportunities.

Our success operating in these new geographic or product markets, or in operating any acquired business, will depend on a number of factors, including our ability to develop solutions to address the requirements of the electric utility industry and other applicable regulatory bodies, renewable energy project developers and owners, and C&I end users, our timely qualification and certification of new products, our ability to manage increased manufacturing capacity and production, and our ability to identify and integrate any acquired businesses.

Further, any additional markets that we may enter could have different characteristics from the markets in which we currently sell products, and our success will depend on our ability to adapt properly to these differences. These differences may include regulatory requirements, including tax laws, trade laws, foreign direct investment review regimes, labor regulations, tariffs, export quotas, customs duties, or other trade restrictions, limited or unfavorable intellectual property protection, international, political or economic conditions, restrictions on the repatriation of earnings, longer sales cycles, warranty expectations, product return policies and cost, performance and compatibility requirements. In addition, expanding into new geographic markets will increase our exposure to presently existing and new risks, such as fluctuations in the value of foreign currencies and difficulties and increased expenses in complying with United States and foreign laws, regulations and trade standards, including the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA").

Failure to develop and introduce new products successfully into the market, to successfully integrate acquired businesses or to otherwise manage the risks and challenges associated with our potential expansion into new product and geographic markets, could adversely affect our revenues and our ability to sustain profitability.

Our business and operations may be adversely affected by outbreaks of contagious diseases and other adverse public health developments.

Any outbreaks of contagious diseases such as the COVID-19 pandemic and other adverse public health developments in countries where we and our suppliers operate, could have a material and adverse effect on our business, financial condition and results of operations. These effects have in the past and could in the future include disruptions to or restrictions on our workforce and facilities or those of our customers, suppliers, or other vendors in our supply chain. The extent to which such a pandemic would impact our business and our financial results would depend on a variety of factors, which are highly uncertain and cannot be predicted. Such factors may include the geographic spread of the pandemic, the severity of the disease, the duration of the outbreak, the speed at which vaccines or other effective treatment methods are developed, the actions that may be taken by various governmental authorities in response to the outbreak, such as quarantine or "shelter-in-place" orders and business closures imposed by various states within the United States, and the impact on the U.S. or global economy. These and other factors could have a material adverse effect on our business, results of operations and financial position.

We have identified material weaknesses in our internal control over financial reporting, and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we otherwise fail to establish and maintain effective controls over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which requires management to certify financial and other information in our quarterly and annual reports and to provide an annual management report on the effectiveness of controls over financial reporting (see "*Part I—Item 4. Controls and Procedures*"). When evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline for compliance with the requirements of Section 404. If we are unable to identify and remediate material weaknesses, it could result in material misstatements to our annual or interim financial statements that might not be prevented or detected on a timely basis or result in delayed filings of required periodic reports. If we are unable to assert that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by the NYSE, the SEC, or other regulatory authorities, which could require additional financial and management resources (see also "*—We may face litigation and other risks as a result of material weaknesses in our internal control over financial reporting*.").

In connection with the audits of the financial statements of Legacy ESS for the years ending December 31, 2019 and 2020, we identified material weaknesses for Legacy ESS due to several deficiencies that were identified in the operation effectiveness of controls over (1) the identification and review of technical issues associated with research and

development, raw materials purchase commitments and equity process which resulted in adjustments to restate the 2019 and correct the 2020 financial statements; and (2) the review and analysis of certain transactions within Legacy ESS' financial statement close process. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

In addition, in preparing STWO's unaudited condensed consolidated financial statements as of and for the quarterly period ended September 30, 2021, management concluded that our control around the interpretation and accounting for certain complex features of the Class A ordinary shares and warrants issued by STWO was not effectively designed or maintained. This material weakness resulted in the restatement of STWO's balance sheet as of September 21, 2020, its annual financial statements for the period ended December 31, 2020 and its interim financial statements for the quarters ended September 30, 2020, March 31, 2021 and June 30, 2021.

Management has concluded that these material weaknesses in Legacy ESS' internal control over financial reporting were due to the fact that, at the time, Legacy ESS was a private company with limited resources and did not have the necessary business processes and related internal controls formally designed and implemented coupled with the appropriate resources with the appropriate level of experience and technical expertise to oversee our business processes and controls. Management has concluded that the material weaknesses in STWO's internal control over financial reporting involved difficulty identifying and appropriately applying complex accounting standards and requirements relating to equity and warrants issued in connection with STWO's initial public offering.

We determined that we remediated the material weakness for Legacy ESS related to the identification and review of technical issues associated with research and development, raw materials purchase commitments and equity processes which resulted in adjustments to restate the 2019 financial statements and correct the 2020 financial statements and the material weakness related to STWO as of December 31, 2021. The second material weakness for Legacy ESS related to the operating effectiveness of controls over the review and analysis of certain transactions within ESS' financial statement close process remained unremediated as of December 31, 2021 and 2022. Therefore, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2021 and 2022.

We are implementing measures designed to strengthen our accounting function and improve our internal control over financial reporting to remediate this material weakness, including the following: (i) implementing new controls, processes and technologies to improve our internal control over financial reporting; (ii) formalizing our processes and internal control documentation and strengthening supervisory reviews by management; and (iii) hiring additional qualified finance and accounting professionals to accommodate the expansion of our business.

While we are working to remediate the material weakness as quickly and efficiently as possible, we cannot at this time provide an estimate of the timeframe we expect in connection with implementing our plan to remediate the material weakness. These remediation measures may be time consuming, costly, and might place significant demands on our financial and operational resources. We cannot provide any assurances that the measures that we have taken and are planning to take will be sufficient to successfully remediate our existing material weakness or prevent future material weaknesses from occurring. We also cannot provide assurance that we have identified all existing material weaknesses.

Although we review and evaluate our internal control systems on a regular basis, we cannot provide any assurances that the measures that we have taken and are planning to take will be sufficient to prevent future material weaknesses and control deficiencies from occurring. We also cannot assure you that we have identified all of our existing material weaknesses. If we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and stock price.

We may face litigation and other risks as a result of material weaknesses in our internal control over financial reporting.

On April 12, 2021, the staff of the SEC issued a public statement entitled "Staff Statement on Accounting and Reporting Considerations for Warrants issued by Special Purpose Acquisition Companies" (the "SEC Staff Statement"). Following the issuance of the SEC Staff Statement, after consultation with Marcum LLP ("Marcum"), STWO's independent registered public accounting firm, management and the audit committee of our board of directors (the "Audit Committee") concluded that it was appropriate to restate the previously issued audited financial statements of STWO as of December 31, 2020 and for the period from STWO's inception through December 31, 2020.

In preparing STWO's unaudited condensed consolidated financial statements as of and for the quarterly period ended September 30, 2021, we re-evaluated STWO's application of ASC 480-10-S99-3A to its accounting classification of its outstanding Class A ordinary shares, par value $0.0001 per share (the "STWO Public Shares"), issued as part of the units

sold in STWO's initial public offering on September 21, 2020. Historically, a portion of the STWO Public Shares was classified as permanent equity to maintain shareholders' stockholders' equity greater than $5 million on the basis that STWO would not redeem the STWO Public Shares in an amount that would cause its net tangible assets to be less than $5,000,001, as described in STWO's memorandum and articles of association (the "Charter"). Pursuant to such reevaluation, management determined that the STWO Public Shares included certain provisions that require classification of all of the Public Shares as temporary equity regardless of the net tangible assets redemption limitation contained in the Charter. In addition, in connection with the change in presentation for the STWO Public Shares, we determined we should restate STWO's earnings per share calculation to allocate income and losses shared pro rata between the two classes of shares. This presentation contemplates a business combination as the most likely outcome, in which case, both classes of shares share pro rata in the income and losses of STWO.

Therefore, on November 22, 2021, management and the Audit Committee concluded that STWO's previously issued (i) audited balance sheet as of September 21, 2020, as previously restated in STWO's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2020, filed with the SEC on May 13, 2021 (the "2020 Form 10-K/A No. 1"); (ii) audited financial statements included in the 2020 Form 10-K/A No. 1; (iii) unaudited interim financial statements included in the Form 10-Q for the quarterly period ended September 30, 2020 as previously restated in the 2020 Form 10-K/A No. 1; (iv) unaudited interim financial statements included in STWO's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, filed with the SEC on May 13, 2021; and (v) unaudited interim financial statements included in STWO's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021, filed with the SEC on August 11, 2021 (collectively, the "Affected Periods"), should be restated to report all STWO Public Shares as temporary equity and should no longer be relied upon.

As such, we restated STWO's financial statements for the Affected Periods in our second amended annual report on Form 10-K/A filed with the SEC on December 3, 2021, our first amended quarterly report on Form 10-Q/A for the period ended March 31, 2021 and our first amended quarterly report on Form 10-Q/A for the period ended June 30, 2021, each filed with the SEC on December 6, 2021, and our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021, filed with the SEC on November 22, 2021.

As part of the restatements, we identified material weaknesses in our internal controls over financial reporting. As a result of these material weaknesses, the restatements, the change in accounting for the warrants, the reclassification of STWO Public Shares, and other matters raised or that may in the future be raised by the SEC, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatements and material weaknesses in our internal control over financial reporting and the preparation of our financial statements. As of the filing date of this Quarterly Report on Form 10-Q, we have no knowledge of any such litigation or dispute. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition.

As deployment of our energy storage products increases, we will undertake corresponding warranty obligations and our warranty obligations may be significant. If we are unable to develop our energy storage products for successful operation do not operate successfully in the field and or if we

are unable to manage our warranty costs, our business and ability to generate revenue and achieve profitability could fail.

We have experienced quality issues in the field and our products may contain undetected errors or defects, especially when first introduced or when new generations of products are released. Errors, defects, or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, which can affect the quality of our products. Any actual or perceived errors, defects, or poor performance in our products could result in the replacement or recall of our products, shipment delays, rejection of our products, damage to our reputation, lost revenue, diversion of our engineering personnel from our product development efforts, and increases in customer service and support costs, all of which could have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, defective components may give rise to warranty, indemnity, or product liability claims against us that exceed any revenue or profit we receive from the affected products. Our product generally comes with an initial one-year manufacturing warranty, based on the use case of the customer and normal system degradation expected from such use case. We also offer customers an extended performance warranty at an additional cost to the customer. For extended warranties, this may require system augmentation or battery replacements, which would be provided at no additional charge beyond the price of the extended warranty paid by such customer.

While we have accrued reserves for warranty claims, our estimated warranty costs for previously sold products may change to the extent future products are not compatible with earlier generation products under warranty. Our warranty accruals are based on various assumptions, which are based on a short operating history. As a result, these assumptions could prove to be materially different from the actual performance of our systems, causing us to incur substantial unanticipated expense expenses to

---

repair or replace defective products in the future or to compensate customers for defective products. Our failure to accurately predict future claims could result in unexpected volatility in, and have a material adverse effect on, our financial condition.

We may offer product warranties for our energy storage products, which products are complex and could contain defects and may not operate at expected performance levels, which could impact sales and market adoption of our energy storage products, affect our operating results or result in claims against us.

We develop complex and evolving energy storage products and we continue to advance the capabilities of our battery technology, product design and associated manufacturing processes. Our energy storage products are designed primarily to serve the behind-the-meter and front-of-the-meter markets. Our core technology components are incorporated into energy storage products that serve both types of customers.

We currently provide an insurance-backed warranty on our energy storage products. We also currently provide certain warranties with respect to the energy storage systems we sell, including on their installation, operations and maintenance, and for components not manufactured by us, we generally pass through to our customers the applicable manufacturers' warranties. As part of our energy storage system contracts, we may provide the customer with performance guarantees that warrant that the underlying system will meet or exceed the minimum energy storage requirements specified in the contract. Under these performance guarantees, we bear the risk of electricity production or other performance shortfalls, even if they result from failures in components from third-party manufacturers. These risks are exacerbated in the event such manufacturers cease operations or fail to honor their warranties.

We are still gaining field operating experience with respect to our energy storage products, and despite experience gained from trials, and pilot testing, and initial deployments performed by us, our partners and our suppliers, issues may continue to be found in existing or new energy storage products. The occurrence of such issues or other defects could also cause us to incur significant warranty, support and repair costs in excess of our estimates, could divert the attention of our engineering personnel from our product development efforts, and could harm our relationships with our customers. Our customers could also seek and obtain damages from us for their losses.

Defects or performance problems in our products could result in loss of customers, reputational damage, and decreased revenue, and we may face warranty, indemnity, and product liability claims that may arise from defective products.

We may become subject to product liability claims, even those without merit due to product tampering or operation and maintenance in violation of operating manuals, which could harm our business, financial condition and results of operations. We face inherent risk of exposure to claims in the event our batteries do not perform as expected or malfunction resulting in personal injury or death. Our risks in this area are particularly pronounced given our S200 batteries have not yet been commercially tested at scale or mass produced. Although we seek to limit our liability, a product liability claim brought against us, even if unsuccessful, would likely be time consuming, could be costly to defend, and may hurt our reputation in the marketplace. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our batteries and business and inhibit or prevent commercialization of other future battery candidates, which would have a material adverse effect on

---

our brand, business, prospects and operating results. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition. We may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we do face liability for our products and are forced to make a claim under our policy.

In addition, as we grow our manufacturing volume, the chance of manufacturing defects could increase. We may be unable to correct manufacturing defects or other failures of our battery modules and the products in which they are incorporated, including the Energy Warehouse and Energy Center, in a manner satisfactory to our customers, which could adversely affect customer satisfaction, market acceptance and our business reputation.

Third parties might attempt to gain unauthorized access to our network or seek to compromise our products and services.

Our business is dependent on the security and efficacy of our networks and computer and data management systems. For example, our Energy Warehouses are connected to and controlled and monitored by our centralized remote monitoring service, and we rely on our internal computer networks for many of the systems we use to operate our business generally. From time to time, we may face attempts by others to gain unauthorized access through the Internet or otherwise or to introduce malicious software to our IT systems. We or our products may be a target of computer hackers, organizations or malicious attackers who attempt to:

- gain access to our network or Energy Warehouses or networks of our customers;

- steal proprietary information related to our business, products, employees, and customers; or
- interrupt our systems or those of our customers.

From time to time, we encounter attempts at gaining unauthorized access to our network and we routinely run security checks. While we seek to detect and investigate unauthorized attempts and attacks against our network and products of which we become aware, and to prevent their recurrence where practicable through changes to our internal processes and tools and/or changes to our products, we remain potentially vulnerable to additional known or unknown threats. In addition to intentional security breaches, the integrity and confidentiality of company and customer data and our intellectual property may be compromised as a result of human error, product defects, or technological failures. Different geographic markets may have different regulations regarding data protection, raising potential compliance risks. We utilize third-party contractors to perform certain functions for us, and they face security risks similar to us. Further, retaliatory acts by Russia in response to Western sanctions could include cyber attacks that could disrupt the economy more generally or that could also impact our operations directly or indirectly.

Any failure or perceived failure by us or our service providers to prevent information security breaches or other incidents or system disruptions, or any compromise of security that results in or is perceived or reported to result in unauthorized access to, or loss, theft, alteration, release or transfer of, our information, or any personal information, confidential information, or other data could result in loss or theft of proprietary or sensitive data and intellectual property, could harm our reputation and competitive position and could expose us to legal claims, regulatory investigations and proceedings, and fines, penalties, and other liability. Any such actual or perceived security breach, incident or system disruption could also divert the efforts of our personnel, and could require us to incur significant costs and operational consequences in connection with investigating, remediating, eliminating and putting in place additional tools, devices, policies, and other measures designed to prevent actual or perceived security breaches and other incidents and system disruptions, and in, for example, rebuilding internal systems, reduced inventory value, providing modifications to our products and services, defending against claims and litigation, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps with respect to third parties. Moreover, we could be required or otherwise find it appropriate to expend significant capital and other resources to respond to, notify third parties of, and otherwise address the incident or breach and its root cause, and to notify individuals, regulatory authorities and others of security breaches involving certain types of data.

Further, we cannot assure that any limitations of liability provisions in our current or future contracts that may be applicable would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. We also cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover claims related to a security breach or incident, or that the insurer will not deny coverage as to any future claim. The successful assertion of claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

The failure or breach of our IT systems could affect our sales and operations.

The availability and effectiveness of our energy storage products and our ability to conduct our business and operations, depend on the continued operation of IT and communications systems, some of which we have yet to develop or otherwise obtain the ability to use. Systems used in our business will be vulnerable to damage or interruption. Such systems could also be subject to break-ins, sabotage and intentional acts of vandalism, as well as disruptions and security incidents as a result of non-technical issues, including intentional or inadvertent acts or omissions by employees, service providers, or others. We expect to face significant challenges with respect to information security and maintaining the security and integrity of our systems and other systems used in our business, as well as with respect to the data stored on or processed by these systems. We also anticipate storing and otherwise processing confidential business information of ourselves and third parties, as well as personal information and other data. Advances in technology, an increased level of sophistication and expertise of hackers, and new discoveries in the field of cryptography can result in a compromise or breach of the systems used in our business or of security measures used in our business to protect confidential information, personal information, and other data. We may be a target for attacks by state-sponsored actors and others designed to disrupt our operations or to attempt to gain access to our systems or to data that is processed or maintained in our business.

We use outsourced service providers to help provide certain services. For example, we utilize email and collaboration tools, and other third-party services and service providers that store or otherwise process information, including personal information and confidential business information, on our behalf. Any such outsourced service providers face similar security and system disruption risks as us. We are at risk for interruptions, outages and breaches of our and our outsourced vendors' and service providers' operational systems and security systems, our products' and services' integrated software and technology, and customer data that we or our third-party service providers process. These may be caused by, among

other causes, physical theft, viruses or other malicious code, denial or degradation of service attacks, ransomware, social engineering schemes, and insider theft or misuse. While we take steps to review security protections of services provided to us, there can be no guarantee that a failure or breach of such systems will not occur or be perceived to occur. If such failures were to occur, we may not be able to sufficiently recover to avoid the loss of data or any adverse impact on our operations that are dependent on such IT systems. This could result in lost sales as we may not be able to meet the demands for our product, and other harm to our business and results of operations. Further, some of the systems used in our business will not be fully redundant, and our disaster recovery planning cannot account for all eventualities. Any security breaches or incidents or other damage to or disruptions to any data centers or other systems used in our business could result in lengthy interruptions in our service and may adversely affect our business, prospects, financial condition and operating results.

Furthermore, because our IT systems are essential for the exchange of information both internally and in communicating with third parties, including our suppliers and manufacturers, security breaches or incidents could lead to unauthorized acquisition or unauthorized release of sensitive, confidential or personal data or information, improper use of our systems, or unauthorized access, use, disclosure, modification or destruction of information or defective products. Our IT systems also help us produce financial information. Any disruption, security breach, or incident could impact our ability to produce timely and accurate financial information needed for compliance, audit, and reporting purposes. If any such security breaches or incidents were to continue, our operations and ability to communicate both internally and with third parties may be negatively impacted.

Significant capital and other resources may be required in efforts to protect against security breaches, incidents, and system disruptions, or to alleviate problems caused by actual or suspected security breaches and other incidents and system disruptions. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities and otherwise seeking to obtain unauthorized access to systems or data, and to disrupt systems, are increasingly sophisticated and constantly evolving. In addition, laws, regulations, government guidance, and industry standards and practices in the United States and elsewhere are rapidly evolving to combat these threats. We may face increased compliance burdens regarding such requirements with regulators and customers regarding our products and services and also incur additional costs for oversight and monitoring of our supply chain. We also cannot be certain that these systems, networks, and other infrastructure or technology upon which we rely, including those of our third-party suppliers or service providers, will be effectively implemented, maintained or expanded as planned, or will be free from bugs, defects, errors, vulnerabilities, viruses, or malicious code. We may be required to expend significant resources to make corrections or to remediate issues that are identified or to find alternative sources. Any of these circumstances potentially could have a negative impact on our business, prospects, financial condition and operating results.

We may not be able to identify or complete transactions with attractive acquisition candidates. Future acquisitions may result in significant transaction expenses and we may incur significant costs.

We may from time to time selectively pursue on an opportunistic basis acquisitions of additional businesses that complement our existing business and footprint. The success of any such growth strategy would depend, in part, on

selecting strategic acquisition candidates at attractive prices and effectively integrating their businesses into our own, including with respect to financial reporting and regulatory matters. There can be no assurance that we will be able to identify attractive acquisition candidates or complete the acquisition of any identified candidates at favorable prices and upon advantageous terms and conditions, including financing alternatives. In addition, general economic conditions or unfavorable capital and credit markets could affect the timing and extent to which we can successfully acquire new businesses, which could limit our revenues and profitability.

Our facilities or operations could be damaged or adversely affected as a result of natural disasters and other catastrophic events.

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars, health epidemics and other calamities. We cannot assure you that any backup systems will be adequate to protect our facilities or operations from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

We may not have sufficient insurance coverage to cover business continuity.

A sustained or repeated interruption in the manufacturing of our products due to labor shortage, fire, flood, war, pandemic, natural disasters, regulatory requirements, and similar unforeseen events beyond our control may interfere with our ability to manufacture our products and fulfil customers' demands in a timely manner, and make it difficult, or in certain cases, impossible for us to continue our business for a substantial period of time. Failure to manufacture our products and meet

customer demands would impair our ability to generate revenues which would adversely affect our financial results. We currently do not have a formal disaster recovery or business continuity plan in place and any disaster recovery and business continuity plans that we may put in place may prove inadequate in the event of a serious disaster or similar event. As part of our risk management, we maintain insurance coverage for our business. However, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages or losses we may incur. If our insurance coverage is not sufficient, we may incur substantial expenses, which, could have a material adverse effect on our business.

We face risks associated with expanding our international operations, including unfavorable and uncertain regulatory, political, economic, tax and labor conditions.

We are subject to legal and regulatory requirements, political uncertainty and social, environmental and economic conditions in numerous jurisdictions, over which we have little control and which are inherently unpredictable. Our operations in such jurisdictions, particularly as a company based in the United States, create risks relating to conforming our products to regulatory and safety requirements and charging and other electric infrastructures; organizing local operating entities; establishing, staffing and managing foreign business locations; attracting local customers; navigating foreign government taxes, regulations and permit requirements; enforceability of our contractual rights; trade restrictions, foreign direct investment review regimes, customs regulations, tariffs and price or exchange controls; and preferences in foreign nations for domestically manufactured products. Such conditions may increase our costs and tax liabilities, impact our ability to sell our products and require significant management attention, and may harm our business if we are unable to manage them effectively.

Changes in the global trade environment, including the imposition of import tariffs, could adversely affect the amount or timing of our revenues, results of operations or cash flows.

Our current supply chain includes Chinese sources for various parts. Escalating trade tensions, particularly between the United States and China have led to increased tariffs and trade restrictions, including tariffs applicable to certain electronic materials and components of our products.

Tariffs and the possibility of additional tariffs in the future have created uncertainty, particularly if we are not able to second source parts from alternative vendors. There can be no guaranty that these developments will not negatively impact the price of the positive electrode used in our products. Additionally, existing or future tariffs may negatively affect key customers and suppliers, and other supply chain partners. Such outcomes could adversely affect the amount or timing of our revenues, results of operations or cash flows, and continuing uncertainty could cause sales volatility, price fluctuations or supply shortages or cause our customers to advance or delay their purchase of our products.

We are in the process of qualifying alternative sources but anticipate it will take time before alternate sources are qualified for every component. In addition, such sources may charge a higher cost than our current suppliers, which would negatively impact our results of operations. There is no guaranty that we will be able to identify alternate suppliers that meet our quality, volume and price requirements. Failure to meet these requirements could result in supply disruptions and increased costs. It is difficult to predict what further trade-related actions governments may take, which may include

additional or increased tariffs and trade restrictions, and we may be unable to react to such actions quickly and effectively, which could result in supply shortages and increased costs.

We could be subject to foreign exchange risk.

Our international sales typically are denominated in U.S. dollars. As a result, we will not have significant direct exposure to currency valuation exchange rate fluctuations. However, because our products are sold internationally, our products may be at a price disadvantage as compared with other non-U.S. suppliers if the U.S. dollar appreciates relative to other major foreign currencies. This could lead to our receiving lower prices or our struggling to compete for international customers. Consequently, currency fluctuations, in particular, a renewed strengthening of the U.S. dollar, could adversely affect the competitiveness of our products in international markets.

We may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and stock price, which could cause you to lose some or all of your investment.

Unexpected risks may arise that cause us to write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in losses. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject. Accordingly, our stockholders could suffer a reduction in the value of their shares.

Our results of operations could vary as a result of changes to our accounting policies or the methods, estimates and judgments we use in applying our accounting policies.

The estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations. Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that could lead us to reevaluate our methods, estimates and judgments.

Management regularly evaluates its estimates such as for service agreements, loss accruals, warranty, performance guarantees, liquidated damages and inventory valuation allowances. Changes in those estimates and judgments could significantly affect our financial condition and results of operations. We will also adopt changes required by the Financial Accounting Standards Board and the SEC.

The requirements of being a public company may strain our resources and divert management's attention.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as rules adopted, and to be adopted, by the SEC and the NYSE. Compliance with such public company requirements is expected to require costs are costly, time-consuming and make certain activities more time-consuming, complicated. We expect management and other personnel to continue to devote a substantial amount of time and resources to these compliance initiatives. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

In addition, we may not have adequate personnel with the appropriate level of knowledge, experience and training in the accounting policies, practices or internal controls over financial reporting required of public companies in the United States. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company in the United States may require costs greater than expected. It is possible that we will be required to further expand our employee base and hire additional employees to support our operations as a public company which will increase our operating costs in future periods.

Moreover, our efforts to comply with new and changing laws and regulations related to public disclosure and corporate governance have resulted in increased general and administrative expenses and a diversion of management time and attention. Because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

We may engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us.

We may enter into transactions with related parties. Related-party transactions create the possibility of conflicts of interest with regard to management, including that:

- we may enter into contracts between us, on the one hand, and related parties, on the other, that are not as a result of arm's-length transactions;
- our executive officers and directors that hold positions of responsibility with related parties may be aware of certain business opportunities that are appropriate for presentation to us as well as to such other related parties and may present such business opportunities to such other parties; and
- our executive officers and directors that hold positions of responsibility with related parties may have significant duties with, and spend significant time serving, other entities and may have conflicts of interest in allocating time.

Such conflicts could cause an individual in our management such executive officer or director to seek to advance his or her economic interests or the economic interests of certain related parties above ours. Further, the appearance of conflicts of interest created by related-party transactions could impair the confidence of our investors. Our audit committee and our board of directors regularly reviews these transactions. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Regulatory, Environmental and Legal Issues

We may face regulatory challenges to or limitations on our ability to sell our products directly in certain markets. Expanding operations internationally could expose us to additional risks.

While we intend to continue to sell our products across the United States both directly and through third parties, our ability to continue such sales may be affected by future limitations, either directly to the ability to sell energy storage or by

broader regulation related to the sales and operation of distributed energy resources, which could have an impact on our ability to sell our products to the market.

Although we currently primarily operate in the United States, we continue to expand our business internationally. Any expansion internationally could subject our business to risks associated with international operations. In addition, there may be laws in international jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our sales or other business practices. Even for those jurisdictions we have analyzed, the laws in this area can be complex, difficult to interpret and may change over time. Continued regulatory limitations and other obstacles interfering with our ability to sell our energy storage products may harm our business, financial condition and results of operations. Additionally, any regulation that affects the sale or operations of distributed energy resources could diminish the real or perceived value of our energy storage solutions in those markets. As a result of these risks, any potential future international expansion efforts that we may undertake may not be successful.

Our customers may be required to obtain environmental, health and safety or other certifications in order to install our products. If our customers are unable to obtain the necessary certifications, we will not be able to install our products, which would negatively impact our revenues.

While our engineering team has worked closely with the CSA Group, Intertek, UL and Technischer Überwachungsverein certification agencies to obtain certifications of our flow battery products under all applicable safety standards, there is no guarantee that such certifications shall continue to be obtained. From our prior certifications, we have expanded our flow battery product certification to the European Conformity marking in the European Union and intend to expand to other international standards such as the International Electrotechnical Commission ("IEC"). Failure to comply with IEC standards may have impact on our revenues, as compliance is required by some of our customers.

We are subject to multiple U.S. federal, state, local and other applicable regulations. Changes in applicable law, regulations or requirements, or our material failure to comply with any of them, can increase our costs and have other negative impacts on our business.

Applicable laws and requirements address multiple aspects of our operations, such as worker safety, consumer rights, privacy, cybersecurity, employee benefits and more, and can often have different requirements in different jurisdictions. Changes in these requirements, or any material failure to comply with them, could increase our costs, affect our reputation, result in claims, litigation, and regulatory investigations or other proceedings, which may result in fines, penalties, and other liabilities, and which may limit our business, drain management's time and attention or otherwise, and generally impact our operations in adverse ways.

We are subject to requirements relating to environmental and safety regulations and environmental remediation matters which could adversely affect our business, results of operation and reputation.

We are subject to numerous federal, state and local environmental laws and regulations governing, among other things, solid and hazardous waste storage, treatment and disposal, and remediation of releases of hazardous materials. There are significant capital, operating and other costs associated with compliance with these environmental laws and regulations. Environmental laws and regulations may become more stringent in the future, which could increase costs of compliance or require us to manufacture with alternative technologies and materials.

Federal, state and local authorities also regulate a variety of matters, including, but not limited to, health, safety and permitting in addition to the environmental matters discussed above. New legislation and regulations may require us to make material changes to our operations, resulting in significant increases to the cost of production.

Our manufacturing process involves hazards such as but not limited to hazardous materials, machines with moving parts, and high voltage and/or high current electrical systems typical of large manufacturing equipment and related safety incidents. There may be environmental or safety incidents that damage machinery or product, slow or stop production, or harm employees. Consequences may include litigation, regulation, fines, increased insurance premiums, mandates to temporarily halt production, workers' compensation claims, or other actions that impact the company our brand, finances, or ability to operate.

We may be exposed to delays, limitations and risks related to the environmental permits and other operating permits required to operate our products.

Operation of our manufacturing facilities requires land use and environmental permits and other operating permits from federal, state and local government entities. While we have all permits necessary to carry out and perform our current plans and operations at our existing facility, we may require additional environmental, wastewater and land use permits for the commercial operation of any future manufacturing facilities. Delays, denials or restrictions on any of the applications for or assignment of the permits to operate our manufacturing facilities could adversely affect our ability to execute on our business plans and objectives.

We may collect and process certain information about our customers and about individuals and will be subject to various laws and regulations relating to privacy, data protection and cybersecurity.

We may collect and process certain battery data required for performance monitoring, safety and serviceability. This information is transmitted to our control center and stored. Such data currently is limited to battery operational and safety parameters. Additionally, we collect and otherwise process other data relating to individuals, including business partners, prospects, employees, vendors, and contractors. Our handling of data relating to individuals is subject to a variety of laws and regulations relating to privacy, data protection and cybersecurity, and we may become subject to additional obligations, including contractual obligations, relating to our maintenance and other processing of this data, and new or modified laws or regulations. Laws, regulations, and other actual and potential obligations relating to privacy, data protection, and cybersecurity are evolving rapidly, and we expect to potentially be subject to new laws and regulations, or new interpretations of laws and regulations, in the future in various jurisdictions. These laws, regulations, and other obligations, and changes in their interpretation, could require us to modify our operations and practices, restrict our activities, and increase our costs. Further, these laws, regulations, and other obligations are complex and compliance with them can be difficult. It is possible that these laws, regulations, and other obligations may be inconsistent with one another or be interpreted or asserted to be inconsistent with our business or practices. We anticipate needing to dedicate substantial resources to comply with laws, regulations, and other obligations relating to privacy and cybersecurity in order to comply. Any actual or alleged failure by us to comply with our privacy policy or any federal, state or international privacy, data protection or cybersecurity laws or regulations or other obligations could result in claims and litigation against us, regulatory investigations and other proceedings, legal liability, fines, damages and other costs. Any actual or alleged failure by any of our vendors or business partners to comply with contractual or legal obligations regarding the protection of information about our customers could carry similar consequences. Should we become subject to additional laws, regulations, or other obligations relating to privacy, data protection or cybersecurity, we may need to undertake compliance efforts that could carry a large cost and could entail substantial time and other resources.

Further, although we take steps to protect the security of our customers' personal information and other personal information within our control, we may face actual or perceived security breaches, incidents, or other misuses of this information, and many jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. We may be required to expend significant resources to comply with security breach and incident notification requirements if a third party accesses or acquires such personal information without authorization, if we otherwise experience a security breach or incident or loss or damage of personal information, or if this is perceived to have occurred. Any actual or perceived breach of our network or systems, or those of our vendors

or service providers, could result in claims, litigation, and proceedings against us by governmental entities or others, have negative effects on our business and future prospects, including possible fines, penalties and damages, and could result in reduced demand for our energy storage products and harm to our reputation and brand, resulting in negative impacts to our business, prospects, and financial results.

We could be subject to penalties and other adverse consequences for any violations of the FCPA, and other foreign anti-bribery and anti-corruption laws.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the United Kingdom Bribery Act 2010, and possibly other anti-bribery and anti-corruption laws in countries outside of the United States in which we conduct our activities. We may have business dealings with customers in certain countries that are high risk for corruption. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies and their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners or third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners or third-party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that all of our employees and agents will not take actions in violation of applicable law, for which we may be ultimately held responsible. We currently have contracts and may potentially operate in parts of the world that have experienced higher levels of governmental corruption and as we increase our international sales and business, our risks under these laws may increase. In addition, due to the level of regulation in our industry and related energy industries, our entry into certain jurisdictions may require substantial government contact where norms can differ from U.S. standards.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address and to mandate compliance with

such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

In the event that we believe, have reason to believe, or are notified that our employees, agents, representatives, business partners, or third party third-party intermediaries have or may have violated applicable laws, including anti-bribery and anti-corruption laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, and detecting, investigating and resolving actual or alleged violations can be expensive and require significant time and attention from senior management. Any allegation or violation of U.S. federal and state and non-U.S. laws, regulations and policies regarding anti-bribery and anti-corruption could result in substantial fines, sanctions, civil and/or criminal penalties, whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, damages, adverse media coverage, investigations, loss of export privileges, suspension or debarment from government contracts, or other curtailment of operations in the United States or other applicable jurisdictions. In addition, actual or alleged violations could damage our reputation and ability to do business. Any of the foregoing could materially adversely affect our reputation, business, financial condition, prospects and results of operations.

We are subject to governmental export and import controls and economic sanctions programs that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

Our products and services are, or may in the future be, subject to U.S. export control laws and regulations including the Export Administration Regulations ("EAR") and trade and economic sanctions maintained by the Office of Foreign Assets Control ("OFAC") and to similar laws and regulations in all other jurisdictions in which we operate. As such, an export license may be required to export, re-export or transfer our products and services to certain countries or end-users or for certain end-uses. If we were to fail to comply with such export control laws and regulations or trade and economic sanctions, we could be subject to both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for willful violations, and the possible loss of our export and/or import privileges. Compliance with the EAR, OFAC sanctions, and other applicable regulatory requirements regarding the import and export of our products or the performance of services, may create delays in the introduction of our products and services in non-U.S. markets, prevent our customers with non-U.S. operations from deploying these products and services throughout their global systems or, in some cases, prevent the export of the products and services to some countries or users altogether. We may enter into agreements with customers and counterparties located in countries subject to list-based OFAC sanctions.

Obtaining the necessary export license for a particular sale or offering may not be possible, may be time-consuming, and may result in the delay or loss of sales opportunities. Further, U.S. export control laws and trade and economic sanctions as well as similar laws and regulations in other jurisdictions prohibit the export of products and services to certain U.S. embargoed or sanctioned countries, governments, and persons, as well as for prohibited end-uses. Even though we have taken precautions to ensure that we and our partners comply with all relevant import and export control laws and regulations and sanctions, monitoring and ensuring compliance with these complex laws and regulations is particularly challenging, and any failure by us or our partners to comply with such laws and regulations could have negative consequences for us, including reputational harm, government investigations and penalties.

Any change in domestic or international export or import laws or regulations, economic sanctions, or related legislation, shift in the enforcement or scope of existing export, import, or sanctions laws or regulations, or change in the countries, governments, persons, or technologies targeted by such export, import, or sanctions laws or regulations, could result in decreased use of our products and/or services by, or in our decreased ability to export or sell our products and/or services to, end-customers with international operations.

We may be exposed to various risks related to legal proceedings or claims that could adversely affect our operating results. The nature of our business exposes us to various liability claims, which may exceed the level of our insurance coverage resulting in our not being fully protected.

We have been and may continue to be party to lawsuits in the normal course of our business. Litigation can be expensive, lengthy and disruptive to normal business operations even if the grounds are meritless. Moreover, the results of complex legal proceedings are difficult to predict. Responding to lawsuits brought against us, or legal actions that we may initiate, can be expensive and time-consuming. Unfavorable outcomes from these claims and/or lawsuits could adversely affect our business, financial condition or results of operations, and we could incur substantial monetary liability and/or be required to change our business practices.

Our business may expose us to claims for personal injury, death or property damage resulting from the use of our products or from employee related matters. Additionally, we could be subject to potential litigation associated with compliance with various laws and governmental regulations at the federal, state or local levels, such as those relating to the protection of persons with disabilities, employment, health, safety, security and other regulations under which we operate.

Table of Contents

We carry comprehensive insurance, subject to deductibles, at levels we believe are sufficient to cover existing and future claims made during the respective policy periods. However, we may be exposed to multiple claims, and, as a result, could incur significant out-of-pocket costs before reaching the deductible amount, which could adversely affect our financial condition and results of operations. In addition, the cost of such insurance policies may increase significantly upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our historical experience and experience in our industry. Although we have not experienced any material losses that were not covered by insurance, our existing or future claims may exceed the coverage level of our insurance, and such insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates or must pay amounts in excess of claims covered by our insurance, then we could experience higher costs that could adversely affect our financial condition and results of operations.

We are subject to certain restrictions and obligations on our business as a result of grants and/or loans received under certain governmental programs and we may be subject to similar or other restrictions to the extent we utilize governmental grants in the future.

Some of our research has been funded by grants from U.S. government agencies. In conjunction with the Advanced Research Projects Agency-Energy grant we received from the Department of Energy, we granted to the United States a non-exclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States inventions related to iron flow technology and made within the scope of the grant. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents and technical data, generally including, at a minimum, a nonexclusive license authorizing the government to use the invention or technical data for noncommercial purposes. U.S. government funding must be disclosed in any resulting patent applications, and our rights in such inventions will normally be subject to government license rights, periodic progress reporting, foreign manufacturing restrictions and march-in rights. Therefore, if we failed to disclose to the Department of Energy an invention made with grant funds that we disclosed to patent counsel or for publication, or if we elect not to retain title to the invention, the United States may request that title to the subject invention be transferred to it.

March-in rights refer to the right of the U.S. government, under certain limited circumstances, to require us to grant a license to technology developed under a government grant to a responsible applicant or, if we refuse, to grant such a license itself. March-in rights can be triggered if the government determines that we have failed to work sufficiently towards

Table of Contents

achieving practical application of a technology or if action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to U.S. industry. If we breach the terms of our grants, the government may gain rights to the intellectual property developed in our related research. The government's rights in our intellectual property may lessen its commercial value, which could adversely affect our performance.

To the extent we utilize governmental grants in the future, the governmental entities involved may retain certain rights in technology that we develop using such grant money. These rights could restrict our ability to fully capitalize upon the value of this research by reducing total revenues that might otherwise be available since such governmental rights may give the government the right to practice the invention without payment of royalties if we do not comply with applicable requirements. Such grants and other forms of government incentives may also subject us to additional disclosure or reporting requirements.

The reduction, elimination or expiration of government tax credits, subsidies and economic incentives related to renewable energy solutions could reduce demand for our technology and harm our business.

The U.S. federal government and some state and local governments provide incentives to end users and potential purchasers of our energy storage products in the form of rebates, tax credits and other financial incentives, such as system performance payments and payments for renewable energy credits associated with renewable energy generation. We will rely on these governmental rebates, tax credits and other financial incentives to significantly lower the effective price of the energy storage products to our customers in the United States. However, these incentives may expire on a particular date, end when the allocated funding is exhausted, or be reduced or terminated as a matter of regulatory or legislative policy.

Our energy storage products have qualified for tax exemptions, incentives or other customer incentives in many states including California. Some states have utility procurement programs and/or renewable portfolio standards for which our technology is eligible. There is no guarantee that these policies will continue to exist in their current form, or at all. Such state programs may face increased opposition on the U.S. federal, state and local levels in the future. Changes in federal or state programs could reduce demand for our energy storage products, impair sales financing and adversely impact our business results.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act (the "IRA"), which extends the availability of ITCs and production tax credits and makes significant changes to the tax credit regime that applies to solar

Table of Contents

and energy storage products. As a result of changes made by the IRA, the ITC for solar generation projects is extended until at least 2033, and has been expanded to include stand-alone battery storage. This expansion provides significant certainty on the tax incentives that will be available to stand-alone battery projects in the future. We believe the IRA will increase demand for our services due to the extensions and expansions of various tax credits that are critical for our customers' economic returns, while also providing more certainty in and visibility into the supply chain for materials and components for energy storage systems. However, the full impact of the IRA cannot be known, and many of the IRA's provisions, including with respect to battery storage projects, are not self-executing and require further guidance from the IRS and Treasury Department, some of which has been issued and which we expect to continue to be issued in the coming months, but may require further clarification. Further, although these provisions generally subsidize battery storage both in front of and behind the meter, they may benefit other companies in unexpected ways and thus weaken our competitive position. For example, the IRA may enable companies producing shorter duration lithium ion batteries to compete with us through added volume of cells at lower cost.

We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to "emerging growth companies" or "smaller reporting companies," this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder stockholder approval of any golden parachute payments not previously approved. As a result, our shareholders stockholders may not have access to certain information they may deem important. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of our common stock that are held by non-affiliates exceeds $700,000,000 as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which we have total annual gross revenue of $1.235 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which we have issued more than $1.0 billion in non-convertible debt in the prior three-year period or (iv) December 31, 2025. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided

in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to opt out of such extended transition period and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used. We cannot predict whether investors will find our securities less attractive because we expect to rely on these exemptions. If some investors find our common stock less attractive as a result of our reliance on these exemptions, the trading price of our common stock may be lower than it otherwise would be, there may be a less active trading market for our common stock and the trading price of our common stock may be more volatile.

Additionally, we are currently a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company only until the last day of the fiscal year in which (i) the market value of the common stock held by non-affiliates exceeds $250,000,000 as of the prior June 30, or (ii) our annual revenues exceeded $100,000,000 during such completed fiscal year and the market value of the common stock held by non-affiliates exceeds $700,000,000 as of the prior June 30. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

Changes in tax laws or in their implementation or interpretation may adversely affect our business and financial condition.

We are or may become subject to income- and non-income-based taxes in the United States under federal, state and local jurisdictions and in certain foreign jurisdictions in which we operate. Tax laws, regulations and administrative practices in these jurisdictions may be subject to significant change, with or without advance notice. For example, beginning in January 2022, the Tax Cuts and Jobs Act eliminates the right to deduct research and development expenditures for tax purposes in the period the expenses were incurred and instead requires all U.S. and foreign research and development expenditures to be amortized over five and fifteen tax years, respectively, and as a result, we recognized a deferred tax asset for the future

tax benefit of the amortization deductions of the capitalized research and development expenditures. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates and otherwise adversely affect our tax positions and/or our tax liabilities. Such changes may adversely affect our effective tax rates, cash flows and general business condition.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2022, we had U.S. federal and state net operating loss carryforwards of $130.7 million and $130.6 million, respectively. Federal net operating loss carryforwards generated after December 31, 2017 do not expire. The remaining federal net operating loss carryforwards expire beginning in 2032. It is possible that we will not generate taxable income in time to use our net operating loss carryforwards before their expiration (if applicable) or at all. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percentage points change (by value) in the ownership of its equity by certain stockholders over a rolling three-year period), the corporation's ability to use its pre-change net operating loss carryforwards and certain other pre-change tax attributes to offset its post-change income and taxes may be limited. We may have experienced such ownership changes in the past, and we may experience ownership changes in the future as a result of shifts in our stock ownership, some of which are outside our control. Accordingly, our ability to utilize our net operating loss carryforwards and certain other tax attributes could be limited by an "ownership change" as described above, which could result in increased tax liability to the company. Company.

Risks Related to Our Intellectual Property

If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, then our business and results of operations could be materially harmed.

Our success depends to a significant degree on our ability to protect our intellectual property and other proprietary rights. We rely on a combination of patent, trademark, copyright, trade secret, and unfair competition laws, as well as confidentiality and other contractual provisions with our customers, suppliers, employees, and others, to establish and protect our intellectual property and other proprietary rights. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we may be subject to claims that our intellectual property rights are invalid or not enforceable. Our assertion of intellectual property rights may result in another party seeking to assert claims against us,

which could harm our business. Our inability to enforce intellectual property rights under any of these circumstances would likely harm our competitive position and business.

We have applied for patents in multiple jurisdictions, including the United States, Europe, and Australia, and under the Patent Cooperation Treaty, some of which have been issued. We cannot guarantee that any of our pending applications will be approved or that our existing and future intellectual property rights will be sufficiently broad to protect our proprietary technology, and any failure to obtain such approvals or finding that our intellectual property rights are invalid or unenforceable could force us to, among other things, rebrand or re-design our affected products. In countries where we have not applied for patent protection or where effective intellectual property protection is not available to the same extent as in the United States, we may be at greater risk that our proprietary rights will be misappropriated, infringed, or otherwise violated. Government actions may also undermine our intellectual property rights.

Our intellectual property may be stolen or infringed upon. In the event of such theft or infringement, we may be required to initiate lawsuits to protect our significant investment in our intellectual property. So far, we have been neither the subject of any lawsuits challenging the ownership or validity of our intellectual property, nor have we been required to initiate any lawsuits to protect our intellectual property. However, any such lawsuits may consume management and financial resources for long periods of time and may not result in outcomes that are favorable or readily enforceable, which may adversely affect our business, financial condition or results of operations.

Third parties may assert that we are infringing upon their intellectual property rights, which could divert management's attention, cause us to incur significant costs, and prevent us from selling or using the technology to which such rights relate.

Our competitors and other third parties hold numerous patents related to technology used in our industry. From time to time, we may also be subject to claims of intellectual property right infringement and related litigation, and, if we gain greater recognition in the market, we will face a higher risk of being the subject of claims that we have violated others' intellectual property rights. While we believe that our products and technology do not infringe in any material respect upon any valid intellectual property rights of third parties, we cannot be certain that we would be successful in defending against any such claims. If we do not successfully defend or settle an intellectual property claim, we could be liable for significant monetary damages and could be prohibited from continuing to use certain technology, business methods, content, or brands. To avoid a prohibition, we could seek a license from the applicable third party, which could require us to pay

significant royalties, increasing our operating expenses. If a license is not available at all or not available on reasonable terms, then we may be required to develop or license a non-violating alternative, either of which could require significant effort and expense. If we cannot license or develop a non-violating alternative, we would be forced to limit or stop sales of our offerings and may be unable to effectively compete and subject to termination and indemnification obligations under our contracts. Any of these results would adversely affect our business, financial condition and results of operations.

Our patent applications may not result in issued patents or our patent rights may be contested, circumvented, invalidated or limited in scope, any of which could have a material adverse effect on our ability to prevent others from interfering with the commercialization of our products.

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours. The status of patents involves complex legal and factual questions and the breadth of claims allowed is uncertain. As a result, we cannot be certain that the patent applications that we file will result in patents being issued, or that our patents and any patents that may be issued to us will afford protection against competitors with similar technology. Numerous patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. In addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable. Furthermore, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States, and thus we cannot be certain that foreign patent applications related to issued U.S. patents will be issued.

Even if our patent applications succeed and we are issued patents in accordance with them, we are still uncertain whether these patents will be contested, circumvented, invalidated or limited in scope in the future. The rights granted under any issued patents may not provide us with meaningful protection or competitive advantages, and some foreign countries provide significantly less effective patent enforcement than in the United States. In addition, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications. In addition, patents issued to us may be infringed upon or designed around by others and others may obtain patents that we need to license or design around, either of which would increase costs and may adversely affect our business, financial condition and results of operations.

Risks Related to Raising Capital

As we endeavor to expand our business, we will incur significant costs and expenses, which could outpace our cash reserves. Unfavorable conditions or disruptions in the capital and credit markets may adversely impact business conditions and the availability of credit.

We expect to incur additional costs and expenses in the future related to the continued development and expansion of our business, including in connection with expanding our manufacturing capabilities to significantly increase production capacity, developing our products, maintaining and enhancing our research and development operations, expanding our sales, marketing, and business development activities in the United States and internationally, and growing our project management, field services and overall operational capabilities for delivering projects. We do not know whether our revenues will grow rapidly enough to absorb these costs or the extent of these expenses or their impact on our results of operations.

Disruptions in the global capital and credit markets as a result of an economic downturn, economic uncertainty, changing or increased regulation, or failures of significant financial institutions, as well as any negative perceptions about our long-term business prospects or the renewable energy sector as a whole, even if exaggerated or unfounded, could adversely affect our customers' ability to access capital and could adversely affect our access to liquidity needed for business in the future. For example, in March 2023, the closure of Silicon Valley Bank and Signature Bank destabilized many financial institutions and created uncertainty across the industry. Future defaults or other similar destabilizing events could impact the credit markets and adversely impact our ability to access our capital and to obtain debt financing on favorable terms. Our business could be harmed if we are unable to obtain additional capital as required, resulting in a decrease in our revenues and profitability.

We expect to raise additional capital in the future, and it may not be available on acceptable terms, if at all.

As discussed in "*Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources",* we expect to access the debt and equity capital markets in the future. However, these sources of financing may not be available on acceptable terms, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance, the price of our common stock, investor sentiment generally or about the renewable energy sector specifically and our ability to incur additional debt in compliance with agreements governing our then-outstanding debt. These factors may make the timing, amount, terms or

conditions of additional financings unattractive to us. If we raise additional funds by issuing equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our currently issued and outstanding equity or debt, and our existing stockholders may experience dilution. If we are unable to generate sufficient funds from operations or raise additional capital, our successful operation and growth could be impeded.

Risks Related to Our Common Stock and Warrants

The price of our common stock may be volatile.

The price of our common stock may fluctuate due to a variety of factors, including:

- changes in the industries in which we and our customers operate;
- variations in our operating performance and the performance of our competitors in general;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- publication of research reports by securities analysts about us or our competitors or our industry;
- sales of shares of our common stock by our existing stockholders;
- short selling activities;
- the volume of shares of our common stock available for public sale; and

Table of Contents

- general economic and political conditions such as recessions, interest rates, fuel prices, inflation, instability in the banking sector and financial markets, foreign currency fluctuations, international tariffs, social, political and economic risks, hostilities or the perception that hostilities may be imminent, terrorism, military conflict and acts of war, including an escalation of the situation in Ukraine or the Ukraine Middle East and the related response, responses, including sanctions or other restrictive actions, by the United States and/or other countries or terrorism. countries.

These market and industry factors may materially reduce the market price of our common stock regardless of our operating performance.

In addition, we have been and in the future may again be the subject of a report issued by activist short sellers. Any such report, even if it contains false and misleading statements about the company, Company, may cause our stock price to experience volatility.

A sale of a significant portion of our total outstanding shares into the market may cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

Certain holders of shares of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Registration of these shares under the Securities Act would result in the shares becoming freely tradeable in the public market, subject to the restrictions of Rule 144 in the case of our affiliates. Any sales of securities by these stockholders could have a material adverse effect on the market price for our common stock. Sales of our common stock pursuant to the exercise of registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our common stock to fall and make it more difficult for you to sell shares of our common stock at a time and price that you deem appropriate.

The issuance by us of additional shares of common stock or equity-linked securities may cause existing stockholders to experience dilution and could adversely affect our stock price.

Table of Contents

From time to time in the future, we may issue additional shares of our common stock or equity-linked securities to raise additional capital or pursuant to a variety of transactions, including issuances in connection with financings, acquisitions, investments, our equity compensation plans or otherwise. Any such issuances of additional common stock or equity-linked securities may cause stockholders to experience significant dilution of their ownership interests and could adversely affect prevailing market prices of our common stock.

We have warrants outstanding that are exercisable for our common stock, which, if exercised, would increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders. stockholders.

As of June 30, 2023 September 30, 2023, we had outstanding Public Warrants to purchase an aggregate of 7,377,893 shares of our common stock and Private Warrants to purchase an aggregate of 4,083,334 shares of our common stock. The exercise price of each of these warrants is $11.50 per share. As used herein, “Public Warrants” refer to warrants to purchase ordinary shares of STWO issued in STWO’s initial public offering, which were converted into warrants to purchase shares of ESS common stock in connection with the Business Combination; and “Private Warrants” refer to warrants to purchase ordinary shares of STWO issued in a private placement concurrently with STWO’s initial public offering, which were converted into warrants to purchase shares of ESS common stock in connection with the Business Combination.

In addition, on September 16, 2022, we entered into a warrant agreement with SMUD, whereby we agreed to issue a warrant for up to 500,000 shares of our common stock at an exercise price of $4.296 per share. The vesting of the shares underlying the warrant will be subject to the achievement of certain commercial milestones through December 31, 2030 pursuant to a related commercial agreement.

On September 21, 2023, we issued to Honeywell Ventures the Investment Warrant exercisable for up to 10,631,633 shares of common stock, and to UOP the IP Warrant exercisable for up to 6,269,955 shares of common stock, and the initial Performance Warrant exercisable for up to 775,760 shares of common stock. The Investment Warrant has an exercise price of $1.89, the IP Warrant has an exercise price of $2.90 and the initial Performance Warrant has an exercise price of $1.45. We may issue additional Performance Warrants to UOP (not to exceed an aggregate value of $15 million based on target purchase amounts of up to $300 million by 2030) on an annual basis for the five-year period beginning in 2026, based on UOP’s purchase of additional equipment pursuant to the Supply Agreement. The additional Performance Warrants will have an exercise price equal to the volume-weighted average price of the Company’s common stock for the last fifteen (15) trading days of the relevant calendar year for which such additional Performance Warrant is being issued.

Table of Contents

To the extent such warrants are exercised, additional shares of our common stock will be issued, which will result in dilution to the holders of our common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the prevailing market prices of our common stock. For further information, see Note 8, 10, *Common Stock Warrants*.

The Public Warrants may be amended in a manner adverse to a holder if holders of 65% of the then outstanding Public Warrants approve of such amendment.

Our warrants were issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and STWO. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision or correct any mistake, but requires the approval by the holders of 65% of the then-outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of Public Warrants. Accordingly, we may amend the terms of the Public Warrants in a manner adverse to a holder if holders of 65% of the then-outstanding Public Warrants approve of such amendment and, solely with respect to any amendment to the terms of the Private Warrants or any provision of the warrant agreement with respect to the Private Warrants, 65% of the number of the then outstanding Private Warrants. Although our ability to amend the terms of the Public Warrants with the consent of 65% of the then-outstanding Public Warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash, shorten the exercise period or decrease the number of shares of our common stock purchasable upon exercise of a warrant.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

We have the ability to redeem the outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per warrant, provided that the closing price of our common stock equals or exceeds $18.00 per share (as adjusted for share subdivisions, share dividends, rights issuances, subdivisions, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to proper notice of such redemption and provided that certain other conditions are met. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. As a result, we may redeem the warrants as set forth above even if the holders are otherwise unable to exercise the warrants. Redemption of the outstanding warrants could force you to (i) exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, we expect would be substantially less than the market value of your warrants.

In addition, we have the ability to redeem the outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at a price of $0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that the closing price of the our common stock equals or exceeds $10.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant) for any 20 trading days within a 30 trading-

day trading-day period ending on the third trading day prior to proper notice of such redemption and provided that certain other conditions are met, including that holders will be able to exercise their warrants prior to redemption for a number of shares of common stock determined based on the redemption date and the fair market value of our common stock. The value received upon exercise of the warrants (1) may be less than the value the holders would have received if they had exercised their warrants at a later time where the underlying share price is higher and (2) may not compensate the holders for the value of the warrants, including because the number of ordinary shares received is capped at 0.361 shares of common stock per warrant (subject to adjustment) irrespective of the remaining life of the warrants.

None of the Private Warrants will be redeemable by us as so long as they are held by ACON S2 Sponsor, LLC, (the "Sponsor") or its permitted transferees, except under certain circumstances.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their shares after price appreciation, which may not occur for some time or not at all, as the only way to realize any future gains on their investment.

There can be no assurance that we will be able to comply with the continued listing standards of the NYSE.

Our common stock and our Public Warrants are listed on the NYSE under the symbols "GWH" and "GWH.W," respectively. If the NYSE delists our securities from trading on its exchange for failure to meet the listing standards and we are not able to list such securities on another national securities exchange, we expect such securities could be quoted on an

over-the-counter market. If this were to occur, we and our stockholders could face significant material adverse consequences including:

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

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our common stock.

Securities research analysts may establish and publish their own periodic projections for us. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our share price or trading volume could decline.

We may be subject to short selling strategies that may drive down the market price of our common stock.

Short selling occurs when an investor borrows a security and sells it on the open market, with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares. Because it is in the short seller's best interests for the price of the stock to decline, some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, its business prospects, and similar matters calculated to or which may create negative market momentum. Short sellers can publicly attack a company's reputation and business on a broader scale via online postings. In the past, the publication of such commentary about us by a self-described short seller has precipitated a decline in the market price of our common stock, and future similar efforts by other short sellers may have similar effects. Companies that are subject to unfavorable allegations promoted by short sellers, even if untrue, may have to expend a significant amount of resources to investigate such allegations and defend themselves.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law might discourage, delay or prevent a change in control of company the Company or changes in management and, therefore, depress the market price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change of control of the company Company or changes in our board of directors that our stockholders might consider favorable. These provisions, among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;

- provide that directors may only be removed "for cause" and only with the approval of a majority of the voting power of the issued and outstanding capital stock of the Company entitled to vote in the election of directors;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting by stockholders at any election of directors;
- authorize our board of directors to amend the bylaws;
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings; and
- require a super-majority vote of stockholders to amend some of the provisions described above.

In addition, Section 203 of the Delaware General Corporation Law (the "DGCL"), prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after

the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) is the exclusive forum for the following (except for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within 10 days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction):

- any derivative action or proceeding brought on our behalf;

- any action asserting a claim of breach of fiduciary duty owed by any director, stockholder, officer or other employee of the Company to the Company or to the Company's stockholders;
- any action arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws further provide that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act against any person in connection with any offering of the Company's securities, including any auditor, underwriter, expert, control person, or other defendant. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and

---

our directors, officers and other employees. Any person or entity purchasing, holding or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find these types of provisions to be inapplicable or unenforceable, and if a court were to find the exclusive forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could materially adversely affect our business.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law.

In addition, as permitted by Section 145 of the DGCL, our amended and restated bylaws and our indemnification agreements that we have entered into with our directors and officers provide that:

- we indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful;
- we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- we are not obligated, pursuant to our amended and restated bylaws, to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification;
- the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons; and
- we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors; officers, employees and agents.

While we maintain a directors' and officers' insurance policy to the fullest extent permitted by the DGCL, such insurance may not be adequate to cover all liabilities that we may incur, which may reduce our available funds to satisfy third-party claims and may materially adversely affect our cash position.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None. There were no sales of equity securities during the period covered by this Report that were not registered under the Securities Act and/or were not previously reported in a Current Report on Form 8-K filed by the Company.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2023 September 30, 2023, no director or officer, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

Table of Contents

ITEM 6. EXHIBITS

Exhibit	Description	Incorporated by Reference Form	File No.	Exhibit No.	Filing Date
3.1#	Amended and Restated Certification of Incorporation of ESS	8-K	001-39525	3.1	October 15, 2021
3.2#	Amended and Restated Bylaws of ESS	10-Q	001-39525	3.2	November 3, 2022
3.3#	Certificate of Amendment to the Certificate of Incorporation	8-K	001-39525	3.1	May 22, 2023
4.1#	Warrant Agreement, dated September 15, 2020, by and between the Company and Continental Stock	S-4	333-257232	4.1	June 21, 2021
4.2#	Assignment, Assumption and Amendment Agreement to the Warrant Agreement, dated October 8, 2021	8-K	001-39525	4.2	October 15, 2021
4.3#	Warrant to Purchase Stock, dated September 16, 2022, by and between the Company and Sacramento Municipal Utility District	10-Q	001-39525	4.3	November 3, 2022
4.4	Investment Warrant, dated September 21, 2023				
4.5	IP Warrant, dated September 21, 2023				
4.6	Performance Warrant, dated September 21, 2023				
4.7	Registration Rights Agreement, dated September 21, 2023, by and between the Company and Honeywell ACS Ventures LLC				
10.1	Common Stock and Warrant Purchase Agreement, dated September 21, 2023, by and between the Company and Honeywell ACS Ventures LLC				
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in Inline XBRL and included in Exhibit 101)				

\# Previously filed.

* These exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of ESS Tech, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

August 8, November 14, 2023

ESS TECH, INC.

By: */s/ Eric P. Dresselhuys*

Name: Eric P. Dresselhuys

Title: Chief Executive Officer

- 61 65 -

Execution Version

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***ACT***"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPOTHECATION OF ANY INTEREST IN ANY OF THE SECURITIES REPRESENTED HEREBY.

WARRANT TO PURCHASE SHARES OF COMMON STOCK
of
ESS TECH, INC.
Dated as of September 21, 2023
Void after the Expiration Date

No. 1

Warrant to Purchase
10,631,633 Shares of
Common Stock
(subject to adjustment)

THIS CERTIFIES THAT, for value received, Honeywell ACS Ventures LLC, or its registered assigns (the "***Holder***"), is entitled, subject to the provisions and upon the terms and conditions set forth herein, to purchase from ESS Tech, Inc., a Delaware corporation (the "***Company***"), shares of the Company's Common Stock, $0.0001 par value per share (the "***Shares***"), in the amounts, at such times and at the price per share set forth in Section 1. The term "***Warrant***" as used herein shall include this Warrant and any warrants delivered in substitution or exchange therefor as provided herein. This Warrant is issued in connection with the transactions described in the Common Stock and Warrant Purchase Agreement, dated as of September 21, 2023, by and between the Company and the Holder (the "***Purchase Agreement***"), and the other Transaction Documents (as defined in the Purchase Agreement). This Warrant is the Investment Warrant as defined in the Purchase Agreement.

The following is a statement of the rights of the Holder and the conditions to which this Warrant is subject, and to which Holder, by acceptance of this Warrant, agrees:

1. **Number and Price of Shares; Exercise Period.**

(a) ***Number of Shares.*** Subject to any previous exercise of the Warrant, the Holder shall have the right to purchase up to 10,631,633 Shares, as may be adjusted pursuant hereto, prior to (or in connection with) the expiration of this Warrant as provided in Section 8.

(b) ***Exercise Price.*** The exercise price per Share shall be equal to $1.89, subject to adjustment pursuant hereto (the "***Exercise Price***").

(c) ***Exercise Period.*** This Warrant shall be exercisable, in whole or in part, prior to (or in connection with) the expiration of this Warrant as set forth in Section 8.

2. **Exercise of the Warrant.**

(a) While this Warrant remains outstanding and exercisable in accordance with Section 1 above, the Holder may exercise this Warrant in accordance with Section 4 herein, by either:

(i) wire transfer to the Company or cashier's check drawn on a United States bank made payable to the order of the Company, or

(ii) in the event that (1) there is no effective registration statement allowing for the resale of the Warrants and the issuance and resale of the Warrant Shares or (2) this Warrant is being exercised in connection with an expiration event as set forth in Section 8(b), Investor may exercise the right to credit the Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares on the date of exercise (the "***Net Exercise***") pursuant to Section 2(c).

(b) Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three trading days of the date the final Notice of Exercise in the form attached hereto as Exhibit A (the "***Notice of Exercise***") is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases.

(c) Net Exercise. If the Company shall receive written notice from the Holder at the time of exercise of this Warrant that the holder elects to Net Exercise the Warrant, the Company shall deliver to such Holder (without payment by the Holder of any exercise price in cash) that number of Warrant Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where

X = The number of Warrant Shares to be issued to the Holder.

Y = The number of Warrant Shares purchasable under this Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock (at the date of such calculation).

B = The Exercise Price (as adjusted hereunder to the date of such calculations).

The "***Fair Market Value***" of one share of Common Stock as of a particular date shall be determined as follows: (i) if traded on a securities exchange, the value shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the fifteen (15) day period ending two business days prior to the date of Net Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) of the Common Stock over the fifteen (15) day period ending two business days prior to the date of Net Exercise; (iii) if fair market value cannot be calculated as of such date on either of the foregoing bases, the price determined in good faith by the Company's Board of Directors; and (iv) in the case of a transaction described in Section 8(b) hereof, the "Fair Market Value" shall be equal to the per share price received by such holders of Common Stock in such transaction or series of related transactions. For the avoidance of doubt, "***the date of Net Exercise***" shall be the date the Holder's written notice has been given to the Company pursuant to Section 11(c) hereof.

(d) ***Deemed Exercise***. In the event that immediately prior to the close of business on the Expiration Date, the Fair Market Value of one share of Common Stock (as determined in accordance with Section 1(c) above) is greater than the then applicable Exercise Price, this Warrant shall be deemed to be automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the Company shall deliver the applicable number of Warrant Shares to the Holder pursuant to the provisions of Section 1(c) above and this Section 1(d); provided that if Holder provides prior written notice to the Company that it does not want this Warrant to be exercised pursuant to this Section 1(d), the terms of this Section 1(d) shall not apply and the Warrant shall not be deemed to be automatically exercised and shall terminate on the Expiration Date.

(e) ***Stock Certificates.*** The rights under this Warrant shall be deemed to have been exercised and the Shares issuable upon such exercise shall be deemed to have been issued immediately prior to the close of business on the date this Warrant is exercised in accordance with its terms, and the person entitled to receive the Shares issuable upon such exercise shall be treated for all purposes as the holder of record of such Shares as of the close of business on such date. Within three business days, the Company shall issue and deliver to the person or persons entitled to receive the same a notice of issuance of uncertificated shares or evidence of book-entry for that number of shares issuable upon such exercise. In the event that the rights under this Warrant are exercised in part and have not expired, the Company shall execute and deliver a new Warrant reflecting the number of Shares that remain subject to this Warrant.

(f) ***No Fractional Shares or Scrip.*** No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the rights under this Warrant. In lieu of such fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Exercise Price multiplied by such fraction.

(g) ***Reservation of Stock.*** The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock a sufficient number of shares of Common Stock (or other securities, if applicable) to provide for the issuance of Warrant Shares (or other securities) upon the exercise of this Warrant. The Company represents and warrants that all shares that may be issued upon the exercise of this Warrant will, when issued in accordance with the terms hereof, be validly issued, fully paid and nonassessable.

3. **Replacement of the Warrant.** Upon the receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this

Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

4. **Mechanics of Exercise.** This Warrant may be exercised by the holder hereof, in whole or in part, by delivering to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) a completed and duly executed copy of the Notice of Exercise by mail or email attachment together with payment in full of the Exercise Price (unless the Holder has elected to Net Exercise) then in effect with respect to the number of Warrant Shares as to which the Warrant is being exercised. This Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of the delivery to the Company of the Notice of Exercise, as provided above, and the person entitled to receive the Warrant Shares issuable upon such exercise shall be treated for all purposes as the holder of such shares of record as of the close of business on such date. The Company shall, as promptly as practicable, and in any event by the end of the day on the date that is three trading days from the delivery to the Company of the Notice of Exercise and payment of the aggregate Exercise Price (unless exercised by means of a cashless exercise pursuant to Section 1(c)), instruct the transfer agent for the Common Stock to record the issuance of Warrant Shares purchased hereunder to the Holder in book-entry form pursuant to the transfer agent's regular procedures. The Warrant Shares shall be deemed to have been issued, and the holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by Net Exercise) and all taxes required to be paid by the holder, if any, prior to the issuance of such shares, having been paid.

5. Compliance with Securities Laws; Restrictive Legend.

(a) The Holder hereby represents: (i) that this Warrant and any securities to be acquired by the Holder on exercise of the Warrant will be acquired for investment for the Holder's own account and not with a view to the resale or distribution of any part thereof, and (ii) that the Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "***Securities Act***"). In addition, as a condition of its delivery of certificates for the Common Stock, the Company will require the Holder to deliver to the Company representations regarding the Holder's sophistication, investor status, investment intent, acquisition for its own account and such other matters as are reasonable and customary for purchasers of securities in an unregistered private offering as set forth in the form of Notice of Exercise.

(b) The Holder understands that this Warrant and the Warrant Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations this Warrant and the Warrant Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, the Holder represents that it is familiar with Rule 144 under the Securities Act, as presently in effect, and (ii) understands the resale limitations imposed thereby and by the Securities Act.

(c) Prior and as a condition to the sale or transfer of the Warrant Shares issuable upon exercise of this Warrant, the Holder shall furnish to the Company such certificates, representations, agreements and other information as the Company, the Company's counsel or the Company's transfer agent reasonably may require to confirm that such sale or transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement. In connection with the sale or

transfer of Warrant Shares that is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement, the Company shall provide to the transfer agent at the Company's cost and expense such opinions of the Company's counsel, or other counsel reasonably acceptable to the Company, as the transfer agent may request to effect such sale or transfer of the Warrant Shares.

(d) The Holder acknowledges that the Company may place a restrictive legend, in substantially the form set forth in the Purchase Agreement, on the Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable securities laws, and the Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

6. Transfer of the Warrant.

(a) Subject to compliance with applicable federal and state securities laws and Section 5 hereof, this Warrant may be transferred by the Holder with respect to any or all of the Warrant Shares purchasable hereunder. For a transfer of this Warrant as an entirety by the Holder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant of the same denomination to the assignee. For a transfer of this Warrant with respect to a portion of the Warrant Shares purchasable hereunder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in such denomination as shall be requested by the Holder, and shall issue to the Holder a new Warrant covering the number of shares in respect of which this Warrant shall not have been transferred.

(b) This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company for other warrants of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. This Warrant may be divided or combined with other warrants that carry the same rights upon presentation hereof at the principal office of the Company together with a written notice specifying the denominations in which new warrants are to be issued to the Holder and signed by the Holder hereof. The term "Warrants" as used herein includes any warrants into which this Warrant may be divided or exchanged.

(c) ***Taxes.*** In no event shall the Company be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate, or a book entry, in a name other than that of the Holder, and the Company shall not be required to issue or deliver any such certificate, or make such book entry, unless and until the person or persons requesting the issue or entry thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or is not payable.

7. **Adjustments.** Subject to the expiration of this Warrant pursuant to Section 8, the number and kind of shares purchasable hereunder and the Exercise Price therefor are subject to adjustment from time to time, as follows:

(a) ***Merger or Reorganization.*** If at any time there shall be any reorganization, recapitalization, merger or consolidation (a "***Reorganization***") involving the Company (other than as otherwise provided for herein or as would cause the expiration of this Warrant under Section 8) in which shares of the Company's stock are converted into or exchanged for securities, cash or other property, then, as a condition to such Reorganization, lawful provision shall be made so that the

Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and amount of securities, cash or other property of the successor corporation resulting from such Reorganization, equivalent in value to that which a holder of the Shares deliverable upon exercise of this Warrant would have been entitled in such Reorganization if the right to purchase the Shares hereunder had been exercised immediately prior to such Reorganization. In any such case, appropriate adjustment (as determined in good faith by the Board of Directors of the successor corporation) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after such Reorganization to the end that the provisions of this Warrant shall be applicable after the event, as near as reasonably may be, in relation to any shares or other securities deliverable after that event upon the exercise of this Warrant.

(b) ***Reclassification of Shares.*** If the securities issuable upon exercise of this Warrant are changed into the same or a different number of securities of any other class or classes by reclassification, capital reorganization or otherwise (other than as otherwise provided for herein) (a "***Reclassification***"), then, as a condition to any such Reclassification, in lieu of the number of Shares which the Holder would otherwise have been entitled to receive, the Holder shall have the right thereafter to exercise this Warrant for a number of shares of such other class or classes of stock that a holder of the number of securities deliverable upon exercise of this Warrant immediately before that change would have been entitled to receive in such Reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(c) ***Subdivisions and Combinations.*** In the event that the outstanding shares of common stock are subdivided (by stock split, by payment of a stock dividend or otherwise) into a greater number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the outstanding shares of common stock are combined (by reclassification or otherwise) into a lesser number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately decreased, and the Exercise Price shall be proportionately increased.

(d) ***Notice of Adjustments.*** Upon any adjustment in accordance with this Section 7, the Company shall, at its expense, promptly deliver to the Holder a certificate of an officer of the Company setting forth the nature of such adjustment and showing in reasonable detail the facts upon which such adjustment is based, including setting forth in reasonable detail the method of calculation of each. The certificate shall clearly set forth (i) such adjustments, (ii) the Exercise Price following the adjustment and (iii) the number of securities and the amount, if any, of other property that, following the adjustment would be received upon exercise of this Warrant.

8. **Expiration of the Warrant**. This Warrant shall expire and shall no longer be exercisable as of the earlier of:

(a) 5:00 p.m., Pacific time, on September 21, 2028; or

(b) Upon the consummation of an acquisition of the Company by another entity by means of any transaction or series of related transactions to which the Company is a party (including, without limitation, any stock acquisition, reorganization, merger or consolidation, but excluding any sale of stock for capital raising purposes and any transaction effected primarily for purposes of changing the Company's jurisdiction of incorporation) other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding

immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of transactions, as a result of shares in the Company held by such holders prior to such transaction or series of transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity (or if the Company or such other surviving or resulting entity is a wholly-owned subsidiary immediately following such acquisition, its parent), all Warrants at the closing of such acquisition (A) with an exercise price below the price per share to be received by holders of Company Common Stock in such transaction or series of related transactions shall terminate, and (B) with an exercise price equal to or greater than the price per share to be received by holders of Company Common Stock in such transaction or series of related transactions shall be (i) exercised on a cashless basis as set forth in Section 2 hereof, or (ii) in the event that the holders of Company Common Stock receive cash or non-cash consideration in such transaction, be deemed automatically terminated without any further action required by any party, and the Holder of such terminated Warrant shall thereafter have the right, with respect to each Share for which this Warrant was exercisable immediately prior to such event, to receive an amount equal to (x) the same consideration payable in respect of one share of the Company's Common Stock in such transaction minus (y) the Exercise Price, subject to the Holder entering into any agreements and delivering certificates and instruments requested by the Company and consistent with the agreements being entered into and the certificates being delivered by all other holders of Common stock, if any.

9. **Notification of Certain Events.** Prior to the expiration of this Warrant, in the event that the Company shall authorize:

(a) the issuance of any dividend or other distribution on the capital stock of the Company;

(b) the voluntary liquidation, dissolution or winding up of the Company; or

(c) any transaction or series of related transactions resulting in the expiration of this Warrant pursuant to Section 8(b) or a sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole by means of any transaction or series of related transactions, except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Company;

the Company shall send to the Holder of this Warrant at least 20 days prior written notice of the date on which a record shall be taken for any such dividend or distribution specified in clause (a) or the expected effective date of any such other event specified in clause (b) or (c), as applicable. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the consent of the Holder.

10. **No Rights as a Stockholder.** Nothing contained herein shall entitle the Holder to any rights as a stockholder of the Company or to be deemed the holder of any securities that may at any time be issuable on the exercise of the rights hereunder for any purpose nor shall anything contained herein be construed to confer upon the Holder, as such, any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or any other rights of a stockholder of the Company until the rights under the Warrant shall have been exercised and the Shares purchasable upon exercise of the rights hereunder shall have become deliverable as provided herein.

11. **Miscellaneous.**

(a) ***Amendments.*** Except as expressly provided herein, neither this Warrant nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Warrant and signed by the Company and the Holder.

(b) ***Waivers.*** No waiver of any single breach or default shall be deemed a waiver of any other breach or default theretofore or thereafter occurring.

(c) ***Notices.*** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

(i) if to the Holder:

Honeywell ACS Ventures LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202
Attention: Anne Madden and Jake Wasserman
Email: [...]

or at such other address as the Holder shall have furnished to the Company;

with a copy to:
Blank Rome LLP
1271 Sixth Avenue
New York, NY 10020
Attention: Kathleen A. Cunningham
Email: Kathleen.cunningham@blankrome.com

If to the Company:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070
Attention: Kelly F. Goodman
Email: [...]

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Rd
Palo Alto, CA 94304
Attention: Mark Baudler, Lianna Whittleton
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com

or at such other address as the Company shall have furnished to the Investor.

Each such notice or other communication shall for all purposes of this Warrant be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), or (ii) if sent by mail, at the earlier of its receipt or five days after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, (iii) if sent via facsimile, upon confirmation of facsimile transfer or, (iv) if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

(d) ***Governing Law.*** This Warrant and all actions arising out of or in connection with this Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

(e) ***Jurisdiction and Venue.***Each of the Holder and the Company hereby submits and consents irrevocably to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware for the interpretation and enforcement of the provisions of this Warrant. Each of the Holder and the Company also agrees that the jurisdiction over such persons and the subject matter of such dispute shall be effected by the mailing of process or other papers in connection with any such action in the manner provided for in Section 11(c) or in such other manner as may be lawful, and that service in such manner shall constitute valid and sufficient service of process.

(f) ***Titles and Subtitles.*** The titles and subtitles used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant. All references in this Warrant to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits attached hereto.

(g) ***Severability.*** If any provision of this Warrant becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Warrant, and such illegal, unenforceable or void provision shall be replaced with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, unenforceable or void provision. The balance of this Warrant shall be enforceable in accordance with its terms.

(h) ***Waiver of Jury Trial*.****EACH OF THE HOLDER AND THE COMPANY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS WARRANT.**

(i) ***Saturdays, Sundays and Holidays.*** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a Saturday, Sunday or U.S. federal holiday.

(j) ***Rights and Obligations Survive Exercise of the Warrant.*** Except as otherwise provided herein, the rights and obligations of the Company and the Holder under this Warrant shall survive exercise of this Warrant.

(k) ***Entire Agreement.*** Except as expressly set forth herein, this Warrant (including the exhibits attached hereto) and the Transaction Documents constitute the entire agreement and understanding of the Company and the Holder with respect to the subject matter hereof and supersede all prior agreements and understandings relating to the subject matter hereof.

(l) ***Further Assurances***. Each of the Company and the Holder agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership or other powers, all such other and additional instruments and documents and do all such other acts and things as may be reasonably necessary to more fully effectuate this Warrant.

(*signature page follows*)

The Company and the Holder sign this Warrant as of the date stated on the first page.

ESS TECH, INC.

By: /s/ Eric P. Dresselhuys

Name: Eric P. Dresselhuys

Title: Chief Executive Officer

Address:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070

AGREED AND ACKNOWLEDGED,

HONEYWELL ACS VENTURES LLC

By its managing member

HONEYWELL INTERNATIONAL, INC.

By: James Steinberg

Name: James Steinberg

Title: Senior Vice President, Corporate Development and Global Head of M&A

Address:

Honeywell ACS Ventures LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202

(Signature page to Warrant)

EXHIBIT A

NOTICE OF EXERCISE
(To be signed only upon exercise of Warrant)

To: ESS Tech, Inc.
Attention: CFO

The undersigned, the Holder of the attached Warrant No. -[], hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, shares of Common Stock of ESS Tech, Inc. as follows (choose one):

¨ Exercise for Cash. Pursuant to Section 1(b)(i) of the Warrant, the Holder hereby elects to exercise the Warrant for cash and tenders payment herewith (or has made a wire transfer) to the order of ESS Tech, Inc. in the amount of $_____________.

¨ Net Exercise. Pursuant to Section 1(b)(ii) of the Warrant, the Holder hereby elects to Net Exercise the Warrant.

The undersigned requests that the certificates or book entry position evidencing the shares to be acquired pursuant to such exercise be issued in the name of, and delivered to, the following:

ame:
ldress:
nail:
N:

The undersigned understands, agrees and recognizes that:

No federal or state agency has made any finding or determination as to the fairness of the investment or any recommendation or endorsement of the securities.

All certificates or book entry positions evidencing the shares of Common Stock may bear a legend substantially similar to the legend set forth in Section 7 of the Warrant regarding resale restrictions.

By its signature below the undersigned hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees (i) to be bound by the terms and conditions of the attached Warrant as of the date hereof, and (ii) to make such representations and warranties as are set forth in Section 4 of the Purchase Agreement.

Dated: _________________

(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

Signature:____________________________________
By:____
Its:____

EXHIBIT B

NOTICE OF ASSIGNMENT FORM

FOR VALUE RECEIVED, [_____________] (the "**Assignor**") hereby sells, assigns and transfers all of the rights of the undersigned Assignor under the attached Warrant with respect to the number of shares of Common Stock of ESS Tech, Inc. (the "**Company**") covered thereby set forth below, to the following "**Assignee**" and, in connection with such transfer, represents and warrants to the Company that the transfer is in compliance with Section 7 of the Warrant and applicable federal and state securities laws:

Name of Assignee:
Address/Fax Number:

Signature

____
Witness

ASSIGNEE ACKNOWLEDGMENT

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signature below it hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees to be bound by the terms and conditions of the Warrant as of the date hereof, including Section 7 thereof.

Signature

Address:

Execution Version

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***ACT***"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPOTHECATION OF ANY INTEREST IN ANY OF THE SECURITIES REPRESENTED HEREBY.

WARRANT TO PURCHASE SHARES OF COMMON STOCK
of
ESS TECH, INC.
Dated as of September 21, 2023
Void after the Expiration Date

No. 2

Warrant to Purchase
6,269,955 Shares of
Common Stock
(subject to adjustment)

THIS CERTIFIES THAT, for value received, UOP LLC, or its registered assigns (the "***Holder***"), is entitled, subject to the provisions and upon the terms and conditions set forth herein, to purchase from ESS Tech, Inc., a Delaware corporation (the "***Company***"), shares of the Company's Common Stock, $0.0001 par value per share (the "***Shares***"), in the amounts, at such times and at the price per share set forth in Section 1. The term "***Warrant***" as used herein shall include this Warrant and any warrants delivered in substitution or exchange therefor as provided herein. This Warrant is issued in connection with the transactions described in the Common Stock and Warrant Purchase Agreement, dated as of September 21, 2023, by and between the Company and Honeywell ACS Ventures LLC (the "***Purchase Agreement***"), and the other Transaction Documents (as defined in the Purchase Agreement). This Warrant is the IP Warrant as defined in the Purchase Agreement.

The following is a statement of the rights of the Holder and the conditions to which this Warrant is subject, and to which Holder, by acceptance of this Warrant, agrees:

1. **Number and Price of Shares; Exercise Period.**

(a) ***Number of Shares.*** Subject to any previous exercise of the Warrant, the Holder shall have the right to purchase up to 6,269,955 Shares, as may be adjusted pursuant hereto, prior to (or in connection with) the expiration of this Warrant as provided in Section 8.

(b) ***Exercise Price.*** The exercise price per Share shall be equal to $2.90, subject to adjustment pursuant hereto (the "***Exercise Price***").

(c) ***Exercise Period.*** This Warrant shall be exercisable, in whole or in part, prior to (or in connection with) the expiration of this Warrant as set forth in Section 8.

2. **Exercise of the Warrant.**

(a) While this Warrant remains outstanding and exercisable in accordance with Section 1 above, the Holder may exercise this Warrant in accordance with Section 4 herein, by either:

(i) wire transfer to the Company or cashier's check drawn on a United States bank made payable to the order of the Company, or

(ii) in the event that (1) there is no effective registration statement allowing for the resale of the Warrants and the issuance and resale of the Warrant Shares or (2) this Warrant is being exercised in connection with an expiration event as set forth in Section 8(b), Investor may exercise the right to credit the Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares on the date of exercise (the "***Net Exercise***") pursuant to Section 2(c).

(b) Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three trading days of the date the final Notice of Exercise in the form attached hereto as Exhibit A (the "***Notice of Exercise***") is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases.

(c) Net Exercise. If the Company shall receive written notice from the Holder at the time of exercise of this Warrant that the holder elects to Net Exercise the Warrant, the Company shall deliver to such Holder (without payment by the Holder of any exercise price in cash) that number of Warrant Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where

X = The number of Warrant Shares to be issued to the Holder.

Y = The number of Warrant Shares purchasable under this Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock (at the date of such calculation).

B = The Exercise Price (as adjusted hereunder to the date of such calculations).

The "***Fair Market Value***" of one share of Common Stock as of a particular date shall be determined as follows: (i) if traded on a securities exchange, the value shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the fifteen (15) day period ending two business days prior to the date of Net Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) of the Common Stock over the fifteen (15) day period ending two business days prior to the date of Net Exercise; (iii) if fair market value cannot be calculated as of such date on either of the foregoing bases, the price determined in good faith by the Company's Board of Directors; and (iv) in the case of a transaction described in Section 8(b) hereof, the "Fair Market Value" shall be equal to the per share price received by such holders of Common Stock in such transaction or series of related transactions. For the avoidance of doubt, "***the date of Net Exercise***" shall be the date the Holder's written notice has been given to the Company pursuant to Section 11(c) hereof.

(d) ***Deemed Exercise***. In the event that immediately prior to the close of business on the Expiration Date, the Fair Market Value of one share of Common Stock (as determined in accordance with Section 1(c) above) is greater than the then applicable Exercise Price, this Warrant shall be deemed to be automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the Company shall deliver the applicable number of Warrant Shares to the Holder pursuant to the provisions of Section 1(c) above and this Section 1(d); provided that if Holder provides prior written notice to the Company that it does not want this Warrant to be exercised pursuant to this Section 1(d), the terms of this Section 1(d) shall not apply and the Warrant shall not be deemed to be automatically exercised and shall terminate on the Expiration Date.

(e) ***Stock Certificates.*** The rights under this Warrant shall be deemed to have been exercised and the Shares issuable upon such exercise shall be deemed to have been issued immediately prior to the close of business on the date this Warrant is exercised in accordance with its terms, and the person entitled to receive the Shares issuable upon such exercise shall be treated for all purposes as the holder of record of such Shares as of the close of business on such date. Within three business days, the Company shall issue and deliver to the person or persons entitled to receive the same a notice of issuance of uncertificated shares or evidence of book-entry for that number of shares issuable upon such exercise. In the event that the rights under this Warrant are exercised in part and have not expired, the Company shall execute and deliver a new Warrant reflecting the number of Shares that remain subject to this Warrant.

(f) ***No Fractional Shares or Scrip.*** No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the rights under this Warrant. In lieu of such fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Exercise Price multiplied by such fraction.

(g) ***Reservation of Stock.*** The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock a sufficient number of shares of Common Stock (or other securities, if applicable) to provide for the issuance of Warrant Shares (or other securities) upon the exercise of this Warrant. The Company represents and warrants that all shares that may be issued upon the exercise of this Warrant will, when issued in accordance with the terms hereof, be validly issued, fully paid and nonassessable.

3. **Replacement of the Warrant.** Upon the receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this

Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

4. **Mechanics of Exercise.** This Warrant may be exercised by the holder hereof, in whole or in part, by delivering to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) a completed and duly executed copy of the Notice of Exercise by mail or email attachment together with payment in full of the Exercise Price (unless the Holder has elected to Net Exercise) then in effect with respect to the number of Warrant Shares as to which the Warrant is being exercised. This Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of the delivery to the Company of the Notice of Exercise, as provided above, and the person entitled to receive the Warrant Shares issuable upon such exercise shall be treated for all purposes as the holder of such shares of record as of the close of business on such date. The Company shall, as promptly as practicable, and in any event by the end of the day on the date that is three trading days from the delivery to the Company of the Notice of Exercise and payment of the aggregate Exercise Price (unless exercised by means of a cashless exercise pursuant to Section 1(c)), instruct the transfer agent for the Common Stock to record the issuance of Warrant Shares purchased hereunder to the Holder in book-entry form pursuant to the transfer agent's regular procedures. The Warrant Shares shall be deemed to have been issued, and the holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by Net Exercise) and all taxes required to be paid by the holder, if any, prior to the issuance of such shares, having been paid.

5. Compliance with Securities Laws; Restrictive Legend.

(a) The Holder hereby represents: (i) that this Warrant and any securities to be acquired by the Holder on exercise of the Warrant will be acquired for investment for the Holder's own account and not with a view to the resale or distribution of any part thereof, and (ii) that the Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "***Securities Act***"). In addition, as a condition of its delivery of certificates for the Common Stock, the Company will require the Holder to deliver to the Company representations regarding the Holder's sophistication, investor status, investment intent, acquisition for its own account and such other matters as are reasonable and customary for purchasers of securities in an unregistered private offering as set forth in the form of Notice of Exercise.

(b) The Holder understands that this Warrant and the Warrant Shares are characterized as “restricted securities” under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations this Warrant and the Warrant Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, the Holder represents that it is familiar with Rule 144 under the Securities Act, as presently in effect, and (ii) understands the resale limitations imposed thereby and by the Securities Act.

(c) Prior and as a condition to the sale or transfer of the Warrant Shares issuable upon exercise of this Warrant, the Holder shall furnish to the Company such certificates, representations, agreements and other information as the Company, the Company’s counsel or the Company’s transfer agent reasonably may require to confirm that such sale or transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement. In connection with the sale or

transfer of Warrant Shares that is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement, the Company shall provide to the transfer agent at the Company’s cost and expense such opinions of the Company’s counsel, or other counsel reasonably acceptable to the Company, as the transfer agent may request to effect such sale or transfer of the Warrant Shares.

(d) The Holder acknowledges that the Company may place a restrictive legend, in substantially the form set forth in the Purchase Agreement, on the Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable securities laws, and the Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

6. Transfer of the Warrant.

(a) Subject to compliance with applicable federal and state securities laws and Section 5 hereof, this Warrant may be transferred by the Holder with respect to any or all of the Warrant Shares purchasable hereunder. For a transfer of this Warrant as an entirety by the Holder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant of the same denomination to the assignee. For a transfer of this Warrant with respect to a portion of the Warrant Shares purchasable hereunder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in such denomination as shall be requested by the Holder, and shall issue to the Holder a new Warrant covering the number of shares in respect of which this Warrant shall not have been transferred.

(b) This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company for other warrants of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. This Warrant may be divided or combined with other warrants that carry the same rights upon presentation hereof at the principal office of the Company together with a written notice specifying the denominations in which new warrants are to be issued to the Holder and signed by the Holder hereof. The term “Warrants” as used herein includes any warrants into which this Warrant may be divided or exchanged.

(c) ***Taxes.*** In no event shall the Company be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate, or a book entry, in a name other than that of the Holder, and the Company shall not be required to issue or deliver any such certificate, or make such book entry, unless and until the person or persons requesting the issue or entry thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or is not payable.

7. **Adjustments.** Subject to the expiration of this Warrant pursuant to Section 8, the number and kind of shares purchasable hereunder and the Exercise Price therefor are subject to adjustment from time to time, as follows:

(a) ***Merger or Reorganization.*** If at any time there shall be any reorganization, recapitalization, merger or consolidation (a “***Reorganization***”) involving the Company (other than as otherwise provided for herein or as would cause the expiration of this Warrant under Section 8) in which shares of the Company’s stock are converted into or exchanged for securities, cash or other property, then, as a condition to such Reorganization, lawful provision shall be made so that the

Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and amount of securities, cash or other property of the successor corporation resulting from such Reorganization, equivalent in value to that which a holder of the Shares deliverable upon exercise of this Warrant would have been entitled in such Reorganization if the right to purchase the Shares hereunder had been exercised immediately prior to such Reorganization. In any such case, appropriate adjustment (as determined in good faith by the Board of Directors of the successor corporation) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after such Reorganization to the end that the provisions of this Warrant shall be applicable after the event, as near as reasonably may be, in relation to any shares or other securities deliverable after that event upon the exercise of this Warrant.

(b) ***Reclassification of Shares.*** If the securities issuable upon exercise of this Warrant are changed into the same or a different number of securities of any other class or classes by reclassification, capital reorganization or otherwise (other than as otherwise provided for herein) (a "***Reclassification***"), then, as a condition to any such Reclassification, in lieu of the number of Shares which the Holder would otherwise have been entitled to receive, the Holder shall have the right thereafter to exercise this Warrant for a number of shares of such other class or classes of stock that a holder of the number of securities deliverable upon exercise of this Warrant immediately before that change would have been entitled to receive in such Reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(c) ***Subdivisions and Combinations.*** In the event that the outstanding shares of common stock are subdivided (by stock split, by payment of a stock dividend or otherwise) into a greater number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the outstanding shares of common stock are combined (by reclassification or otherwise) into a lesser number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately decreased, and the Exercise Price shall be proportionately increased.

(d) ***Notice of Adjustments.*** Upon any adjustment in accordance with this Section 7, the Company shall, at its expense, promptly deliver to the Holder a certificate of an officer of the Company setting forth the nature of such adjustment and showing in reasonable detail the facts upon which such adjustment is based, including setting forth in reasonable detail the method of calculation of each. The certificate shall clearly set forth (i) such adjustments, (ii) the Exercise Price following the adjustment and (iii) the number of securities and the amount, if any, of other property that, following the adjustment would be received upon exercise of this Warrant.

8. **Expiration of the Warrant**. This Warrant shall expire and shall no longer be exercisable as of the earlier of:

(a) 5:00 p.m., Pacific time, on September 21, 2028; or

(b) Upon the consummation of an acquisition of the Company by another entity by means of any transaction or series of related transactions to which the Company is a party (including, without limitation, any stock acquisition, reorganization, merger or consolidation, but excluding any sale of stock for capital raising purposes and any transaction effected primarily for purposes of changing the Company's jurisdiction of incorporation) other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of transactions, as a result of shares in the Company held by such holders prior to such transaction or series of transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity (or if the Company or such other surviving or resulting entity is a wholly-owned subsidiary immediately following such acquisition, its parent), all Warrants at the closing of such acquisition (A) with an exercise price below the price per share to be received by holders of Company Common Stock in such transaction or series of related transactions shall terminate, and (B) with an exercise price equal to or greater than the price per share to be received by holders of Company Common Stock in such transaction or series of related transactions shall be (i) exercised on a cashless basis as set forth in Section 2 hereof, or (ii) in the event that the holders of Company Common Stock receive cash or non-cash consideration in such transaction, be deemed automatically terminated without any further action required by any party, and the Holder of such terminated Warrant shall thereafter have the right, with respect to each Share for which this Warrant was exercisable immediately prior to such event, to receive an amount equal to (x) the same consideration payable in respect of one share of the Company's Common Stock in such transaction minus (y) the Exercise Price, subject to the Holder entering into any agreements and delivering certificates and instruments requested by the Company and consistent with the agreements being entered into and the certificates being delivered by all other holders of Common stock, if any.

9. **Notification of Certain Events.** Prior to the expiration of this Warrant, in the event that the Company shall authorize:

(a) the issuance of any dividend or other distribution on the capital stock of the Company;

(b) the voluntary liquidation, dissolution or winding up of the Company; or

(c) any transaction or series of related transactions resulting in the expiration of this Warrant pursuant to Section 8(b) or a sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole by means of any transaction or series of related transactions, except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Company;

the Company shall send to the Holder of this Warrant at least 20 days prior written notice of the date on which a record shall be taken for any such dividend or distribution specified in clause (a) or the expected effective date of any such other event specified in clause (b) or (c), as applicable. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the consent of the Holder.

10. **No Rights as a Stockholder.** Nothing contained herein shall entitle the Holder to any rights as a stockholder of the Company or to be deemed the holder of any securities that may at any time be issuable on the exercise of the rights hereunder for any purpose nor shall anything contained herein be construed to confer upon the Holder, as such, any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or any other rights of a stockholder of the Company until the rights under the Warrant shall have been exercised and the Shares purchasable upon exercise of the rights hereunder shall have become deliverable as provided herein.

11. **Miscellaneous.**

(a) ***Amendments.*** Except as expressly provided herein, neither this Warrant nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Warrant and signed by the Company and the Holder.

(b) ***Waivers.*** No waiver of any single breach or default shall be deemed a waiver of any other breach or default theretofore or thereafter occurring.

(c) ***Notices.*** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

(i) if to the Holder:

UOP LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202
Attention: Anne Madden and Jake Wasserman
Email: [...]

or at such other address as the Holder shall have furnished to the Company;

with a copy to:
Blank Rome LLP
1271 Sixth Avenue
New York, NY 10020
Attention: Kathleen A. Cunningham
Email: Kathleen.cunningham@blankrome.com

If to the Company:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070
Attention: Kelly F. Goodman
Email: [...]

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Rd
Palo Alto, CA 94304
Attention: Mark Baudler, Lianna Whittleton
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com

or at such other address as the Company shall have furnished to the Investor.

Each such notice or other communication shall for all purposes of this Warrant be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), or (ii) if sent by mail, at the earlier of its receipt or five days after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, (iii) if sent via facsimile, upon confirmation of facsimile transfer or, (iv) if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

(d) ***Governing Law.*** This Warrant and all actions arising out of or in connection with this Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

(e) ***Jurisdiction and Venue.***Each of the Holder and the Company hereby submits and consents irrevocably to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware for the interpretation and enforcement of the provisions of this Warrant. Each of the Holder and the Company also agrees that the jurisdiction over such persons and the subject matter of such dispute shall be effected by the mailing of process or other papers in connection with any such action in the manner provided for in Section 11(c) or in such other manner as may be lawful, and that service in such manner shall constitute valid and sufficient service of process.

(f) ***Titles and Subtitles.*** The titles and subtitles used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant. All references in this Warrant to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits attached hereto.

(g) ***Severability.*** If any provision of this Warrant becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Warrant, and such illegal, unenforceable or void provision shall be replaced with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, unenforceable or void provision. The balance of this Warrant shall be enforceable in accordance with its terms.

(h) ***Waiver of Jury Trial*.****EACH OF THE HOLDER AND THE COMPANY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS WARRANT.**

(i) ***Saturdays, Sundays and Holidays.*** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a Saturday, Sunday or U.S. federal holiday.

(j) ***Rights and Obligations Survive Exercise of the Warrant.*** Except as otherwise provided herein, the rights and obligations of the Company and the Holder under this Warrant shall survive exercise of this Warrant.

(k) ***Entire Agreement.*** Except as expressly set forth herein, this Warrant (including the exhibits attached hereto) and the Transaction Documents constitute the entire agreement and understanding of the Company and the Holder with respect to the subject matter hereof and supersede all prior agreements and understandings relating to the subject matter hereof.

(l) ***Further Assurances***. Each of the Company and the Holder agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership or other powers, all such other and additional instruments and documents and do all such other acts and things as may be reasonably necessary to more fully effectuate this Warrant.

(*signature page follows*)

The Company and the Holder sign this Warrant as of the date stated on the first page.

ESS TECH, INC.

By: /s/ Eric P. Dresselhuys

Name: Eric P. Dresselhuys

Title: Chief Executive Officer

Address:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070

AGREED AND ACKNOWLEDGED,

UOP LLC

By: /s/ Ryan Wagley

Name: Ryan Wagley

Title: General Counsel

Address:

UOP LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202

(Signature page to Warrant)

EXHIBIT A

NOTICE OF EXERCISE
(To be signed only upon exercise of Warrant)

To: ESS Tech, Inc.
Attention: CFO

The undersigned, the Holder of the attached Warrant No. -[], hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, shares of Common Stock of ESS Tech, Inc. as follows (choose one):

¨ Exercise for Cash. Pursuant to Section 1(b)(i) of the Warrant, the Holder hereby elects to exercise the Warrant for cash and tenders payment herewith (or has made a wire transfer) to the order of ESS Tech, Inc. in the amount of $_____________.

¨ Net Exercise. Pursuant to Section 1(b)(ii) of the Warrant, the Holder hereby elects to Net Exercise the Warrant.

The undersigned requests that the certificates or book entry position evidencing the shares to be acquired pursuant to such exercise be issued in the name of, and delivered to, the following:

ıme:
ldress:
ıail:
N:

The undersigned understands, agrees and recognizes that:

No federal or state agency has made any finding or determination as to the fairness of the investment or any recommendation or endorsement of the securities.

All certificates or book entry positions evidencing the shares of Common Stock may bear a legend substantially similar to the legend set forth in Section 7 of the Warrant regarding resale restrictions.

By its signature below the undersigned hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees (i) to be bound by the terms and conditions of the attached Warrant as of the date hereof, and (ii) to make such representations and warranties as are set forth in Section 4 of the Purchase Agreement.

Dated: ________________

(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

Signature:___________________________________
By:____
Its:____

EXHIBIT B

NOTICE OF ASSIGNMENT FORM

FOR VALUE RECEIVED, [____________] (the "**Assignor**") hereby sells, assigns and transfers all of the rights of the undersigned Assignor under the attached Warrant with respect to the number of shares of Common Stock of ESS Tech, Inc. (the "**Company**") covered thereby set forth below, to the following "**Assignee**" and, in connection with such transfer, represents and warrants to the Company that the transfer is in compliance with Section 7 of the Warrant and applicable federal and state securities laws:

Name of Assignee:
Address/Fax Number:

Signature

____
Witness

ASSIGNEE ACKNOWLEDGMENT

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signature below it hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees to be bound by the terms and conditions of the Warrant as of the date hereof, including Section 7 thereof.

Signature

Address:

Execution Version

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***ACT***"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPOTHECATION OF ANY INTEREST IN ANY OF THE SECURITIES REPRESENTED HEREBY.

WARRANT TO PURCHASE SHARES OF COMMON STOCK
of
ESS TECH, INC.
Dated as of September 21, 2023
Void after the Expiration Date

No. 3

Warrant to Purchase
775,760 Shares of
Common Stock
(subject to adjustment)

THIS CERTIFIES THAT, for value received, UOP LLC, or its registered assigns (the "***Holder***"), is entitled, subject to the provisions and upon the terms and conditions set forth herein, to purchase from ESS Tech, Inc., a Delaware corporation (the "***Company***"), shares of the Company's Common Stock, $0.0001 par value per share (the "***Shares***"), in the amounts, at such times and at the price per share set forth in Section 1. The term "***Warrant***" as used herein shall include this Warrant and any warrants delivered in substitution or exchange therefor as provided herein. This Warrant is issued in connection with the transactions described in the Common Stock and Warrant Purchase Agreement, dated as of September 21, 2023, by and between the Company and Honeywell ACS Ventures LLC (the "***Purchase Agreement***"), and the other Transaction Documents (as defined in the Purchase Agreement). This Warrant is the Performance Warrant as defined in the Master Supply Agreement by and between the Company and the Holder.

The following is a statement of the rights of the Holder and the conditions to which this Warrant is subject, and to which Holder, by acceptance of this Warrant, agrees:

1. **Number and Price of Shares; Exercise Period.**

(a) ***Number of Shares.*** Subject to any previous exercise of the Warrant, the Holder shall have the right to purchase up to 775,760 Shares, as may be adjusted pursuant hereto, prior to (or in connection with) the expiration of this Warrant as provided in Section 8.

(b) ***Exercise Price.*** The exercise price per Share shall be equal to $1.45, subject to adjustment pursuant hereto (the "***Exercise Price***").

(c) ***Exercise Period.*** This Warrant shall be exercisable, in whole or in part, prior to (or in connection with) the expiration of this Warrant as set forth in Section 8.

2. **Exercise of the Warrant.**

(a) While this Warrant remains outstanding and exercisable in accordance with Section 1 above, the Holder may exercise this Warrant in accordance with Section 4 herein, by either:

(i) wire transfer to the Company or cashier's check drawn on a United States bank made payable to the order of the Company, or

(ii) in the event that (1) there is no effective registration statement allowing for the resale of the Warrants and the issuance and resale of the Warrant Shares or (2) this Warrant is being exercised in connection with an expiration event as set forth in Section 8(b), Investor may exercise the right to credit the Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares on the date of exercise (the "***Net Exercise***") pursuant to Section 2(c).

(b) Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three trading days of the date the final Notice of Exercise in the form attached hereto as Exhibit A (the "***Notice of Exercise***") is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases.

(c) Net Exercise. If the Company shall receive written notice from the Holder at the time of exercise of this Warrant that the holder elects to Net Exercise the Warrant, the Company shall deliver to such Holder (without payment by the Holder of any exercise price in cash) that number of Warrant Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where

X = The number of Warrant Shares to be issued to the Holder.

Y = The number of Warrant Shares purchasable under this Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock (at the date of such calculation).

B = The Exercise Price (as adjusted hereunder to the date of such calculations).

The "***Fair Market Value***" of one share of Common Stock as of a particular date shall be determined as follows: (i) if traded on a securities exchange, the value shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the fifteen (15) day period ending two business days prior to the date of Net Exercise; (ii) if traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) of the Common Stock over the fifteen (15) day period ending two business days prior to the date of Net Exercise; (iii) if fair market value cannot be calculated as of such date on either of the foregoing bases, the price determined in good faith by the Company's Board of Directors; and (iv) in the case of a transaction described in Section 8(b) hereof, the "Fair Market Value" shall be equal to the per share price received by such holders of Common Stock in such transaction or series of related transactions. For the avoidance of doubt, "***the date of Net Exercise***" shall be the date the Holder's written notice has been given to the Company pursuant to Section 11(c) hereof.

(d) ***Deemed Exercise***. In the event that immediately prior to the close of business on the Expiration Date, the Fair Market Value of one share of Common Stock (as determined in accordance with Section 1(c) above) is greater than the then applicable Exercise Price, this Warrant shall be deemed to be automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the Company shall deliver the applicable number of Warrant Shares to the Holder pursuant to the provisions of Section 1(c) above and this Section 1(d); provided that if Holder provides prior written notice to the Company that it does not want this Warrant to be exercised pursuant to this Section 1(d), the terms of this Section 1(d) shall not apply and the Warrant shall not be deemed to be automatically exercised and shall terminate on the Expiration Date.

(e) ***Stock Certificates.*** The rights under this Warrant shall be deemed to have been exercised and the Shares issuable upon such exercise shall be deemed to have been issued immediately prior to the close of business on the date this Warrant is exercised in accordance with its terms, and the person entitled to receive the Shares issuable upon such exercise shall be treated for all purposes as the holder of record of such Shares as of the close of business on such date. Within three business days, the Company shall issue and deliver to the person or persons entitled to receive the same a notice of issuance of uncertificated shares or evidence of book-entry for that number of shares issuable upon such exercise. In the event that the rights under this Warrant are exercised in part and have not expired, the Company shall execute and deliver a new Warrant reflecting the number of Shares that remain subject to this Warrant.

(f) ***No Fractional Shares or Scrip.*** No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the rights under this Warrant. In lieu of such fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Exercise Price multiplied by such fraction.

(g) ***Reservation of Stock.*** The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock a sufficient number of shares of Common Stock (or other securities, if applicable) to provide for the issuance of Warrant Shares (or other securities) upon the exercise of this Warrant. The Company represents and warrants that all shares that may be issued upon the exercise of this Warrant will, when issued in accordance with the terms hereof, be validly issued, fully paid and nonassessable.

3. **Replacement of the Warrant.** Upon the receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this

Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

4. **Mechanics of Exercise.** This Warrant may be exercised by the holder hereof, in whole or in part, by delivering to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) a completed and duly executed copy of the Notice of Exercise by mail or email attachment together with payment in full of the Exercise Price (unless the Holder has elected to Net Exercise) then in effect with respect to the number of Warrant Shares as to which the Warrant is being exercised. This Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of the delivery to the Company of the Notice of Exercise, as provided above, and the person entitled to receive the Warrant Shares issuable upon such exercise shall be treated for all purposes as the holder of such shares of record as of the close of business on such date. The Company shall, as promptly as practicable, and in any event by the end of the day on the date that is three trading days from the delivery to the Company of the Notice of Exercise and payment of the aggregate Exercise Price (unless exercised by means of a cashless exercise pursuant to Section 1(c)), instruct the transfer agent for the Common Stock to record the issuance of Warrant Shares purchased hereunder to the Holder in book-entry form pursuant to the transfer agent's regular procedures. The Warrant Shares shall be deemed to have been issued, and the holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by Net Exercise) and all taxes required to be paid by the holder, if any, prior to the issuance of such shares, having been paid.

5. Compliance with Securities Laws; Restrictive Legend.

(a) The Holder hereby represents: (i) that this Warrant and any securities to be acquired by the Holder on exercise of the Warrant will be acquired for investment for the Holder's own account and not with a view to the resale or distribution of any part thereof, and (ii) that the Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "***Securities Act***"). In addition, as a condition of its delivery of certificates for the Common Stock, the Company will require the Holder to deliver to the Company representations regarding the Holder's sophistication, investor status, investment intent, acquisition for its own account and such other matters as are reasonable and customary for purchasers of securities in an unregistered private offering as set forth in the form of Notice of Exercise.

(b) The Holder understands that this Warrant and the Warrant Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations this Warrant and the Warrant Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, the Holder represents that it is familiar with Rule 144 under the Securities Act, as presently in effect, and (ii) understands the resale limitations imposed thereby and by the Securities Act.

(c) Prior and as a condition to the sale or transfer of the Warrant Shares issuable upon exercise of this Warrant, the Holder shall furnish to the Company such certificates, representations, agreements and other information as the Company, the Company's counsel or the Company's transfer agent reasonably may require to confirm that such sale or transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement. In connection with the sale or

transfer of Warrant Shares that is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement, the Company shall provide to the transfer agent at the Company's cost and expense such opinions of the Company's counsel, or other counsel reasonably acceptable to the Company, as the transfer agent may request to effect such sale or transfer of the Warrant Shares.

(d) The Holder acknowledges that the Company may place a restrictive legend, in substantially the form set forth in the Purchase Agreement, on the Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable securities laws, and the Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

6. Transfer of the Warrant.

(a) Subject to compliance with applicable federal and state securities laws and Section 5 hereof, this Warrant may be transferred by the Holder with respect to any or all of the Warrant Shares purchasable hereunder. For a transfer of this Warrant as an entirety by the Holder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant of the same denomination to the assignee. For a transfer of this Warrant with respect to a portion of the Warrant Shares purchasable hereunder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in such denomination as shall be requested by the Holder, and shall issue to the Holder a new Warrant covering the number of shares in respect of which this Warrant shall not have been transferred.

(b) This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company for other warrants of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. This Warrant may be divided or combined with other warrants that carry the same rights upon presentation hereof at the principal office of the Company together with a written notice specifying the denominations in which new warrants are to be issued to the Holder and signed by the Holder hereof. The term "Warrants" as used herein includes any warrants into which this Warrant may be divided or exchanged.

(c) ***Taxes.*** In no event shall the Company be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate, or a book entry, in a name other than that of the Holder, and the Company shall not be required to issue or deliver any such certificate, or make such book entry, unless and until the person or persons requesting the issue or entry thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid or is not payable.

7. **Adjustments.** Subject to the expiration of this Warrant pursuant to Section 8, the number and kind of shares purchasable hereunder and the Exercise Price therefor are subject to adjustment from time to time, as follows:

(a) ***Merger or Reorganization.*** If at any time there shall be any reorganization, recapitalization, merger or consolidation (a "***Reorganization***") involving the Company (other than as otherwise provided for herein or as would cause the expiration of this Warrant under Section 8) in which shares of the Company's stock are converted into or exchanged for securities, cash or other property, then, as a condition to such Reorganization, lawful provision shall be made so that the

Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and amount of securities, cash or other property of the successor corporation resulting from such Reorganization, equivalent in value to that which a holder of the Shares deliverable upon exercise of this Warrant would have been entitled in such Reorganization if the right to purchase the Shares hereunder had been exercised immediately prior to such Reorganization. In any such case, appropriate adjustment (as determined in good faith by the Board of Directors of the successor corporation) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after such Reorganization to the end that the provisions of this Warrant shall be applicable after the event, as near as reasonably may be, in relation to any shares or other securities deliverable after that event upon the exercise of this Warrant.

(b) ***Reclassification of Shares.*** If the securities issuable upon exercise of this Warrant are changed into the same or a different number of securities of any other class or classes by reclassification, capital reorganization or otherwise (other than as otherwise provided for herein) (a "***Reclassification***"), then, as a condition to any such Reclassification, in lieu of the number of Shares which the Holder would otherwise have been entitled to receive, the Holder shall have the right thereafter to exercise this Warrant for a number of shares of such other class or classes of stock that a holder of the number of securities deliverable upon exercise of this Warrant immediately before that change would have been entitled to receive in such Reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(c) ***Subdivisions and Combinations.*** In the event that the outstanding shares of common stock are subdivided (by stock split, by payment of a stock dividend or otherwise) into a greater number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the outstanding shares of common stock are combined (by reclassification or otherwise) into a lesser number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately decreased, and the Exercise Price shall be proportionately increased.

(d) ***Notice of Adjustments.*** Upon any adjustment in accordance with this Section 7, the Company shall, at its expense, promptly deliver to the Holder a certificate of an officer of the Company setting forth the nature of such adjustment and showing in reasonable detail the facts upon which such adjustment is based, including setting forth in reasonable detail the method of calculation of each. The certificate shall clearly set forth (i) such adjustments, (ii) the Exercise Price following the adjustment and (iii) the number of securities and the amount, if any, of other property that, following the adjustment would be received upon exercise of this Warrant.

8. **Expiration of the Warrant**. This Warrant shall expire and shall no longer be exercisable as of the earlier of:

(a) 5:00 p.m., Pacific time, on September 21, 2028; or

(b) Upon the consummation of an acquisition of the Company by another entity by means of any transaction or series of related transactions to which the Company is a party (including, without limitation, any stock acquisition, reorganization, merger or consolidation, but excluding any sale of stock for capital raising purposes and any transaction effected primarily for purposes of changing the Company's jurisdiction of incorporation) other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding

immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of transactions, as a result of shares in the Company held by such holders prior to such transaction or series of transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity (or if the Company or such other surviving or resulting entity is a wholly-owned subsidiary immediately following such acquisition, its parent), all Warrants at the closing of such acquisition (A) with an exercise price below the price per share to be received by holders of Company Common Stock in such transaction or series of related transactions shall terminate, and (B) with an exercise price equal to or greater than the price per share to be received by holders of Company Common Stock in such transaction or series of related transactions shall be (i) exercised on a cashless basis as set forth in Section 2 hereof, or (ii) in the event that the holders of Company Common Stock receive cash or non-cash consideration in such transaction, be deemed automatically terminated without any further action required by any party, and the Holder of such terminated Warrant shall thereafter have the right, with respect to each Share for which this Warrant was exercisable immediately prior to such event, to receive an amount equal to (x) the same consideration payable in respect of one share of the Company's Common Stock in such transaction minus (y) the Exercise Price, subject to the Holder entering into any agreements and delivering certificates and instruments requested by the Company and consistent with the agreements being entered into and the certificates being delivered by all other holders of Common stock, if any.

9. **Notification of Certain Events.** Prior to the expiration of this Warrant, in the event that the Company shall authorize:

(a) the issuance of any dividend or other distribution on the capital stock of the Company;

(b) the voluntary liquidation, dissolution or winding up of the Company; or

(c) any transaction or series of related transactions resulting in the expiration of this Warrant pursuant to Section 8(b) or a sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole by means of any transaction or series of related transactions, except where such sale, lease or other disposition is to a wholly-owned subsidiary of the Company;

the Company shall send to the Holder of this Warrant at least 20 days prior written notice of the date on which a record shall be taken for any such dividend or distribution specified in clause (a) or the expected effective date of any such other event specified in clause (b) or (c), as applicable. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the consent of the Holder.

10. **No Rights as a Stockholder.** Nothing contained herein shall entitle the Holder to any rights as a stockholder of the Company or to be deemed the holder of any securities that may at any time be issuable on the exercise of the rights hereunder for any purpose nor shall anything contained herein be construed to confer upon the Holder, as such, any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or any other rights of a stockholder of the Company until the rights under the Warrant shall have been exercised and the Shares purchasable upon exercise of the rights hereunder shall have become deliverable as provided herein.

11. **Miscellaneous.**

(a) ***Amendments.*** Except as expressly provided herein, neither this Warrant nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Warrant and signed by the Company and the Holder.

(b) ***Waivers.*** No waiver of any single breach or default shall be deemed a waiver of any other breach or default theretofore or thereafter occurring.

(c) ***Notices.*** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

(i) if to the Holder:

UOP LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202
Attention: Anne Madden and Jake Wasserman
Email: [...]

or at such other address as the Holder shall have furnished to the Company;

with a copy to:
Blank Rome LLP
1271 Sixth Avenue
New York, NY 10020
Attention: Kathleen A. Cunningham
Email: Kathleen.cunningham@blankrome.com

If to the Company:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070
Attention: Kelly F. Goodman
Email: [...]

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Rd
Palo Alto, CA 94304
Attention: Mark Baudler, Lianna Whittleton
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com

or at such other address as the Company shall have furnished to the Investor.

Each such notice or other communication shall for all purposes of this Warrant be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), or (ii) if sent by mail, at the earlier of its receipt or five days after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, (iii) if sent via facsimile, upon confirmation of facsimile transfer or, (iv) if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

(d) ***Governing Law.*** This Warrant and all actions arising out of or in connection with this Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

(e) ***Jurisdiction and Venue.***Each of the Holder and the Company hereby submits and consents irrevocably to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware for the interpretation and enforcement of the provisions of this Warrant. Each of the Holder and the Company also agrees that the jurisdiction over such persons and the subject matter of such dispute shall be effected by the mailing of process or other papers in connection with any such action in the manner provided for in Section 11(c) or in such other manner as may be lawful, and that service in such manner shall constitute valid and sufficient service of process.

(f) ***Titles and Subtitles.*** The titles and subtitles used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant. All references in this Warrant to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits attached hereto.

(g) ***Severability.*** If any provision of this Warrant becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Warrant, and such illegal, unenforceable or void provision shall be replaced with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, unenforceable or void provision. The balance of this Warrant shall be enforceable in accordance with its terms.

(h) ***Waiver of Jury Trial***.**EACH OF THE HOLDER AND THE COMPANY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS WARRANT.**

(i) ***Saturdays, Sundays and Holidays.*** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a Saturday, Sunday or U.S. federal holiday.

(j) ***Rights and Obligations Survive Exercise of the Warrant.*** Except as otherwise provided herein, the rights and obligations of the Company and the Holder under this Warrant shall survive exercise of this Warrant.

(k) ***Entire Agreement.*** Except as expressly set forth herein, this Warrant (including the exhibits attached hereto) and the Transaction Documents constitute the entire agreement and understanding of the Company and the Holder with respect to the subject matter hereof and supersede all prior agreements and understandings relating to the subject matter hereof.

(l) ***Further Assurances***. Each of the Company and the Holder agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership or other powers, all such other and additional instruments and documents and do all such other acts and things as may be reasonably necessary to more fully effectuate this Warrant.

(*signature page follows*)

The Company and the Holder sign this Warrant as of the date stated on the first page.

ESS TECH, INC.

By: /s/ Eric P. Dresselhuys

Name: Eric P. Dresselhuys

Title: Chief Executive Officer

Address:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070

AGREED AND ACKNOWLEDGED,

UOP LLC

By: /s/ Ryan Wagley

Name: Ryan Wagley

Title: General Counsel

Address:

UOP LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202

(Signature page to Warrant)

EXHIBIT A

NOTICE OF EXERCISE
(To be signed only upon exercise of Warrant)

To: ESS Tech, Inc.
Attention: CFO

The undersigned, the Holder of the attached Warrant No. -[], hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, shares of Common Stock of ESS Tech, Inc. as follows (choose one):

¨ Exercise for Cash. Pursuant to Section 1(b)(i) of the Warrant, the Holder hereby elects to exercise the Warrant for cash and tenders payment herewith (or has made a wire transfer) to the order of ESS Tech, Inc. in the amount of $_____________.

¨ Net Exercise. Pursuant to Section 1(b)(ii) of the Warrant, the Holder hereby elects to Net Exercise the Warrant.

The undersigned requests that the certificates or book entry position evidencing the shares to be acquired pursuant to such exercise be issued in the name of, and delivered to, the following:

ame:
ldress:
nail:

N:

The undersigned understands, agrees and recognizes that:

No federal or state agency has made any finding or determination as to the fairness of the investment or any recommendation or endorsement of the securities.

All certificates or book entry positions evidencing the shares of Common Stock may bear a legend substantially similar to the legend set forth in Section 7 of the Warrant regarding resale restrictions.

By its signature below the undersigned hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees (i) to be bound by the terms and conditions of the attached Warrant as of the date hereof, and (ii) to make such representations and warranties as are set forth in Section 4 of the Purchase Agreement.

Dated: _________________

(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

Signature:____________________________________
By:____
Its:____

EXHIBIT B

NOTICE OF ASSIGNMENT FORM

FOR VALUE RECEIVED, [_____________] (the "**Assignor**") hereby sells, assigns and transfers all of the rights of the undersigned Assignor under the attached Warrant with respect to the number of shares of Common Stock of ESS Tech, Inc. (the "**Company**") covered thereby set forth below, to the following "**Assignee**" and, in connection with such transfer, represents and warrants to the Company that the transfer is in compliance with Section 7 of the Warrant and applicable federal and state securities laws:

Name of Assignee:
Address/Fax Number:

Signature

____
Witness

ASSIGNEE ACKNOWLEDGMENT

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signature below it hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees to be bound by the terms and conditions of the Warrant as of the date hereof, including Section 7 thereof.

Signature

Address:

Execution Version

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "**Agreement**") is made and entered into as of September 21, 2023 (the "**Effective Date**") by and between ESS Tech, Inc., a Delaware corporation (the "**Company**"), and Honeywell ACS Ventures LLC ("**ACS**"). The terms used herein, but not defined herein shall have the meanings set forth therein in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, the Company and ACS entered into a Common Stock and Warrant Purchase Agreement of even date herewith (the "**Purchase Agreement**").

WHEREAS, ACS has purchased from and the Company has issued to ACS shares of the Company's Class common stock, par value $0.0001 per share (the "**Common Stock**");

WHEREAS, ACS has purchased from and the Company has issued to ACS Warrants to purchase shares of Common Stock.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms and variations thereof have the meanings set forth below:

"**Agreement**" shall have the meaning given in the Preamble.

"**Board**" shall mean the Board of Directors of the Company.

"**Business Day**" means any day other than a Sunday or a day on which the Federal Reserve Bank of New York is closed.

"**Commission**" shall mean the Securities and Exchange Commission.

"**Common Stock**" shall have the meaning given in the Recitals hereto.

"**Company**" shall have the meaning given in the Preamble.

"**Effectiveness Deadline**" shall have the meaning given in subsection 2.1.1.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as it may be amended from time to time.

"**Form S-1**" shall mean a Registration Statement on Form S-1.

"**Form S-3**" shall have the meaning given in subsection 2.1.1.

"**Holder**" or "**Holders**" shall mean ACS and/or its transferees and assignees which execute a joinder to this Agreement in the form attached as Exhibit A.

"**Misstatement**" shall mean, in the case of a Registration Statement, an untrue statement of a material fact or an omission to state a material fact required to be stated therein, or, in the case of a Prospectus, an untrue statement of material fact or an omission to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

"**New Registration Statement**" shall have the meaning given in subsection 2.1.4.

"**Piggyback Registration**" shall have the meaning given in subsection 2.3.1.

"**Prospectus**" shall mean the prospectus included in any Registration Statement, as supplemented by any and all prospectus supplements and as amended by any and all post-effective amendments and including all material incorporated by reference in such prospectus.

"**Registrable Security**" shall mean (a) any shares of Common Stock or warrants issued to Holder or UOP pursuant to the Purchase Agreement or the Supply Agreement, (b) any shares of Common Stock issued to the Holder or UOP upon exercise of any warrants issued to the Holder or UOP pursuant to the Purchase Agreement or the Supply Agreement, and (c) any other equity security of the Company issued or issuable with respect to any such shares of Common Stock held by Holder or UOP by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or reorganization,; provided, however, that, as to any particular Registrable Security, such security shall cease to be a Registrable Security at such time when: (A) a Registration Statement with respect to the offer or sale of such securities shall have become effective under the Securities Act; (B) such security shall have been otherwise transferred by a Holder, a new certificate or book-entry for such security not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of such security shall not require registration under the Securities Act; (C) such security shall have ceased to be outstanding; (D) such security has been sold to, or through, a broker, dealer or underwriter in a public distribution or other public securities transaction; or (E) such security may be sold without registration pursuant to Rule 144 promulgated under the Securities Act (or any successor rule promulgated hereafter by the Commission) (but with no volume or other restrictions, limitations or conditions) and the Company has caused its counsel to deliver an opinion to such effect to the Holder and the Company's transfer agent for the Common Stock.

"**Registration**" shall mean a registration effected by preparing and filing a registration statement or similar document in compliance with the requirements of the Securities Act, and the applicable rules and regulations promulgated thereunder, and such registration statement becoming effective.

"**Registration Expenses**" shall mean the documented out-of-pocket expenses of a Registration, including, without limitation, the following:

(A) all registration and filing fees (including fees with respect to filings required to be made with the Financial Industry Regulatory Authority, Inc.) and any national securities exchange or trading market on which the Common Stock is then listed;

(B) fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel for the Underwriters in connection with blue sky qualifications of Registrable Securities);

(C) printing, messenger, telephone and delivery expenses;

(D) reasonable fees and disbursements of counsel for the Company, including the cost of rendering any opinion or negative assurance letter;

(E) reasonable fees and disbursements of all independent registered public accountants of the Company incurred specifically in connection with such Registration, including the cost of rendering any comfort letter; and

(F) reasonable fees and expenses of one (1) legal counsel for all holders of registrable securities to be registered for offer and sale in the applicable Registration, selected by holders of the majority-in-interest of the Registrable Securities in a Resale Registration Statement.

Notwithstanding the foregoing, under no circumstances shall the Company be obligated to pay any fees, discounts and/or commissions to any Underwriter or broker with respect to the Registrable Securities.

"**Registration Statement**" shall mean any registration statement (including a registration statement filed pursuant to Rule 462(b) of the Securities Act) that covers the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus included in such registration statement, amendments (including post-effective amendments) and supplements to such registration statement, and all exhibits to and all material incorporated by reference in such registration statement.

"Resale Shelf Registration Statement" shall have the meaning given in subsection 2.1.1.

"**Securities Act**" shall mean the Securities Act of 1933, as amended from time to time.

"**Supply Agreement**" shall mean that certain Master Supply Agreement entered into by and between the Company and UOP LLC of even date hereof.

"**Suspension Event**" shall have the meaning given in Section 3.4.

"**Underwriter**" shall mean a securities dealer who purchases any Registrable Securities as principal in an Underwritten Offering and not as part of such dealer's market-making activities.

"**Underwritten Registration**" or "**Underwritten Offering**" shall mean a Registration in which securities of the Company are sold to an Underwriter in a firm commitment underwriting for distribution to the public.

"**UOP**" shall mean UOP LLC.

ARTICLE II
REGISTRATION

Section 2.1 Resale Shelf Registration Rights

2.1.1 Registration Statement Covering Resale of Registrable Securities. The Company shall prepare and file or cause to be prepared and filed with the Commission, no later than the earlier of (i) such date on which the Company files its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 and (ii) sixty (60) calendar days following the Closing of the Purchase Agreement, a Registration Statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act or any successor thereto registering the resale from time to time by Holder of all of the Registrable Securities held by Holder then outstanding (the "**Resale Shelf Registration Statement**"). The Resale Shelf Registration Statement shall be on Form S-3 (or, if Form S-3 is not available to be used by the Company at such time, on Form S-1 or another appropriate form permitting Registration of such Registrable Securities for resale by Holder ("**Form S-3**")). TheCompany shall use commercially reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective as soon as practicable after filing, but no later than the earlier of (i) the 10th calendar day (or 30th calendar day if the Commission notifies the Company that it will "review" the Registration Statement) following the filing of the Resale Shelf Registration Statement and (ii) the fifth (5th) Business Day after the date the Company is notified (orally or in writing, whichever is earlier) by the Commission that the Resale Shelf Registration Statement will not be "reviewed" or will not be subject to further review (such earlier date, the "**Effectiveness Deadline**"). Once effective, the Company shall use commercially reasonable efforts to keep the Resale Shelf Registration Statement continuously effective and to be supplemented and amended to the extent necessary to ensure that such Registration Statement is available or, if not available, to ensure that another Registration Statement is available, under the Securities Act at all times until all Registrable Securities and other securities covered by such Registration Statement have been disposed of in accordance with the intended method(s) of distribution set forth in such Registration Statement or have ceased to be Registrable Securities. The Registration Statement filed with the Commission pursuant to this subsection 2.1.1 shall contain a prospectus in such form as to permit the Holder to sell such Registrable Securities pursuant to Rule 415 under the Securities Act (or any successor or similar provision adopted by the Commission then in effect) at any time beginning on the effective date for such Registration Statement, and shall provide that such Registrable Securities may be sold pursuant to any method or combination of methods legally available to, and requested by, the Holder.

2.1.2 Notification and Distribution of Materials. The Company shall notify the Holder in writing of the effectiveness of the Resale Shelf Registration Statement as soon as practicable, and in any event within one (1) Business Day after the Resale Shelf Registration Statement becomes effective, and shall furnish to it, without charge, such number of copies of the Resale Shelf Registration Statement (including any amendments, supplements and exhibits), the Prospectus contained therein (including each preliminary prospectus and all related amendments and supplements) and any documents incorporated by reference in the Resale Shelf Registration Statement or such other documents as the Holders may reasonably request in order to facilitate the sale of the Registrable Securities in the manner described in the Resale Shelf Registration Statement.

2.1.3 Amendments and Supplements. Subject to the provisions of Section 2.1.1 above, the Company shall promptly prepare and file with the Commission from time to time such amendments and supplements to the Resale Shelf Registration Statement and Prospectus used in connection therewith as may be necessary to keep the Resale Shelf Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all the Registrable Securities. If any Resale Shelf Registration Statement filed pursuant to Section 2.1.1 is filed on Form S-3 and thereafter the Company becomes ineligible to use Form S-3 for secondary sales, the Company shall promptly notify the Holder of such ineligibility and use its reasonable best efforts to file a shelf registration on an appropriate form as promptly as practicable to replace the shelf registration statement on Form S-3 and have such replacement Resale Shelf Registration Statement declared effective as promptly as practicable and to cause such replacement Resale Shelf Registration Statement to remain effective, and to be supplemented and amended to the extent necessary to ensure that such Resale Shelf Registration Statement is available or, if not available, that another Resale Shelf Registration Statement is available, for the resale of all the Registrable Securities held by the Holder until all such Registrable Securities have ceased to be Registrable Securities; provided, however, that at any time the Company once again becomes eligible to use Form S-3, the Company shall cause such replacement Resale Shelf Registration Statement to be amended, or shall file a new

replacement Resale Shelf Registration Statement, such that the Resale Shelf Registration Statement is once again on Form S-3.

2.1.4 Notwithstanding the registration obligations set forth in this Section 2.1, in the event the Commission informs the Company that all of the Registrable Securities cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to promptly (i) inform each of the holders thereof and use its reasonable best efforts to file amendments to the Resale Shelf Registration Statement as required by the Commission and/or (ii) withdraw the Resale Shelf Registration Statement and file a new registration statement (a "**New Registration Statement**"), on Form S-3, or if Form S-3 is not then available to the Company for such registration statement, on such other form available to register for resale the Registrable Securities as a secondary offering.

Section 2.2 [Intentionally omitted]

Section 2.3 Piggyback Registration

2.3.1 Piggyback Rights. If, at any time on or after the date hereof, the Company proposes to file a Registration Statement under the Securities Act with respect to an offering of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into equity securities, for its own account or for the account of stockholders of the Company (or by the Company and by the stockholders of the Company), other than a Registration Statement (i) filed in connection with any employee stock option or other benefit plan, (ii) for an exchange offer or offering of securities solely to the Company's existing stockholders, (iii) for an offering of debt that is convertible into equity securities of the Company, (iv) for a dividend reinvestment plan, (v) on Form S-4 filed in connection with the Business Combination or (vi) filed pursuant to Section 2.1 hereof, then the Company shall give written notice of such proposed filing to all of the Holders of Registrable Securities then outstanding as soon as practicable but not less than ten (10) days before the anticipated filing date of such Registration Statement, which notice shall (A) describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, in such offering, and (B) offer to all of the Holders of Registrable Securities the opportunity to register the sale of such number of Registrable Securities as such Holders may request in writing within five (5) days after receipt of such written notice (such Registration a "**Piggyback Registration**"). The Company shall, in good faith, cause such Registrable Securities to be included in such Piggyback Registration and shall use its best efforts to cause the managing Underwriter or Underwriters of a proposed Underwritten Offering to permit the Registrable Securities requested by the Holders pursuant to this Subsection 2.3.1 to be included in a Piggyback Registration on the same terms and conditions as any similar securities of the Company included in such Registration and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method(s) of distribution thereof. All such Holders proposing to distribute their Registrable Securities through an Underwritten Offering under this Subsection 2.3.1 shall enter into an underwriting agreement in customary form with the Underwriter(s) selected for such Underwritten Offering by the Company.

2.3.2 Reduction of Piggyback Registration. If the managing Underwriter or Underwriters in an Underwritten Registration that is to be a Piggyback Registration, in good faith, advises the Company and the Holders of Registrable Securities participating in the Piggyback Registration in writing that the dollar amount or number of shares of Common Stock that the Company desires to sell, taken together with (i) the shares of Common Stock, if any, as to which Registration has been demanded pursuant to separate written contractual arrangements with persons or entities other than the Holders of Registrable Securities hereunder, (ii) the Registrable Securities as to which registration has been requested pursuant to Section 2.3 hereof, and (iii) the shares of Common Stock, if any, as to which Registration has been requested pursuant to separate written contractual piggy-back registration rights of other stockholders of the Company, exceeds the Maximum Number of Securities, then:

(i) If the Registration is undertaken for the Company's account, the Company shall include in any such Registration (A) first, Common Stock or other equity securities that the Company desires to sell, which can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the Registrable Securities of Holders exercising their rights to register their Registrable Securities pursuant to Subsection2.3.1 hereof, pro rata, based on the respective number of Registrable Securities that each Holder has so requested, which can be sold without exceeding the Maximum Number of Securities; and (C) third, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A) and (B), Common Stock, if any, as to which Registration has been requested pursuant to written contractual piggy-back registration rights of other stockholders of the Company, which can be sold without exceeding the Maximum Number of Securities; and

(ii) If the Registration is pursuant to a request by persons or entities other than the Holders of Registrable Securities, then the Company shall include in any such Registration (A) first, Common Stock or other equity securities, if any, of such requesting persons or entities, other than the Holders of Registrable Securities, which can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the Registrable Securities of Holders exercising their rights to register their Registrable Securities pursuant to subsection 2.3.1, pro rata based on the respective number of Registrable Securities that each Holder has requested be included in such Underwritten Registration and the aggregate number of Registrable Securities that the Holders have requested to be included in such Underwritten Registration, which can be sold without exceeding the Maximum Number of Securities; (C) third, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A) and (B), Common Stock or other equity securities that the Company desires to sell, which can be sold without exceeding the Maximum Number of Securities; and (D) fourth, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A), (B) and (C), Common Stock or other equity securities for the account of other persons or entities that the Company is obligated to register pursuant to separate written contractual arrangements with such persons or entities, which can be sold without exceeding the Maximum Number of Securities.

2.3.3 Piggyback Registration Withdrawal. Any Holder of Registrable Securities shall have the right to withdraw from a Piggyback Registration for any or no reason whatsoever upon written notification to the Company and the Underwriter or Underwriters (if any) of his, her or its intention to withdraw from such Piggyback Registration prior to the effectiveness of the Registration Statement filed with the Commission with respect to such Piggyback Registration. The Company (whether on its own good faith determination or as the result of a request for withdrawal by persons pursuant to separate written contractual obligations) may withdraw a Registration Statement filed with the Commission in connection with a Piggyback Registration at any time prior to the effectiveness of such Registration Statement. Notwithstanding anything to the contrary in this Agreement, the Company shall be responsible for the Registration Expenses incurred in connection with the Piggyback Registration prior to its withdrawal under this subsection 2.3.3.

2.3.4 Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.3 prior to the effectiveness of such registration whether or not any Holder of Registrable Securities has elected to include securities in such registration."

ARTICLE III
COMPANY PROCEDURES

Section 3.1 General Procedures. If at any time on or after the date of this Agreement, the Company is required to effect the Registration of Registrable Securities, the Company shall use its reasonable best efforts to effect such Registration to permit the sale of such Registrable Securities in accordance with the intended plan of distribution thereof, and pursuant thereto the Company shall, as expeditiously as possible:

3.1.1 prepare and file with the Commission as soon as practicable a Registration Statement with respect to such Registrable Securities and use its reasonable best efforts to cause such Registration Statement to become effective and remain effective until all Registrable Securities covered by such Registration Statement have been sold or are no longer outstanding;

3.1.2 prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement, and such supplements to the Prospectus, as may be reasonably requested by the Holders or any Underwriter of Registrable Securities or as may be required by the rules, regulations or instructions applicable to the registration form used by the Company or by the Securities Act or rules and regulations thereunder to keep the Registration Statement effective until all Registrable Securities covered by such Registration Statement are sold in accordance with the intended plan of distribution set forth in such Registration Statement or supplement to the Prospectus or are no longer outstanding;

3.1.3 prior to filing a Registration Statement or Prospectus, or any amendment or supplement thereto (excluding any current or periodic report filed under Section 13 or 15(d) of the Exchange Act), furnish without charge to the Underwriters, if any, and the Holders of Registrable Securities included in such Registration, and such Holder's legal counsel, copies of such Registration Statement as proposed to be filed, each amendment and supplement to such Registration Statement (in each case including all exhibits thereto and documents incorporated by reference therein), the Prospectus included in such Registration Statement (including each preliminary Prospectus), and such other documents as the Underwriters and the Holders of Registrable

Securities included in such Registration or the legal counsel for any such Holders may request in order to facilitate the disposition of the Registrable Securities owned by such Holders;

3.1.4 prior to any public offering of Registrable Securities, use its reasonable best efforts to (i) register or qualify the Registrable Securities covered by the Registration Statement under such securities or "blue sky" laws of such jurisdictions in the United States as the Holders of Registrable Securities included in such Registration Statement (in light of their intended plan of distribution) may request and (ii) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be necessary or advisable to enable the Holders of Registrable Securities included in such Registration Statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify or take any action to which it would be subject to general service of process or taxation in any such jurisdiction where it is not then otherwise so subject;

3.1.5 cause all such Registrable Securities to be listed on each securities exchange or automated quotation system on which similar securities issued by the Company are then listed;

3.1.6 provide a transfer agent or warrant agent, as applicable, and registrar for all such Registrable Securities no later than the effective date of such Registration Statement;

3.1.7 advise each seller of such Registrable Securities, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the Commission suspending the effectiveness of such Registration Statement or the initiation or threatening of any proceeding for such purpose and promptly use its reasonable best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued;

3.1.8 advise each Holder of Registrable Securities covered by such Registration Statement, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any Prospectus (excluding any current or periodic report filed under Section 13 or 15(d) of the Exchange Act) forming a part of such registration statement has been filed;

3.1.9 at least five (5) days prior to the filing of any Registration Statement or Prospectus or any amendment or supplement to such Registration Statement or Prospectus (excluding any current or periodic report filed under Section 13 or 15(d) of the Exchange Act), furnish a copy thereof to each seller of such Registrable Securities or its counsel;

3.1.10 notify the Holders at any time when a Prospectus relating to such Registration Statement is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes a Misstatement, and then to correct such Misstatement as set forth in Section 3.4 hereof;

3.1.11 permit a representative of the Holders, the Underwriters, if any, and any attorney or accountant retained by such Holders or Underwriter to participate, at each such person's own expense, in the preparation of the Registration Statement, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such representative, Underwriter, attorney or accountant in connection with the Registration; provided, however, that such representatives or Underwriters enter into a confidentiality agreement, in form and substance reasonably satisfactory to the Company, prior to the release or disclosure of any such information;

3.1.12 obtain a "cold comfort" letter from the Company's independent registered public accountants in the event of an Underwritten Registration, in customary form and covering such matters of the type customarily covered by "cold comfort" letters as the managing Underwriter may reasonably request, and reasonably satisfactory to such managing Underwriter;

3.1.13 on the date the Registrable Securities are delivered for sale pursuant to an Underwritten Registration, obtain an opinion and negative assurance letter, each dated such date, of counsel representing the Company for the purposes of such Underwritten Registration, addressed to the Underwriters covering such legal matters with respect to the Underwritten Registration in respect of which such opinion is being given as the managing Underwriter may reasonably request and as are customarily included in such opinions and negative assurance letters, and reasonably satisfactory to such managing Underwriter;

3.1.14 in the event of any Underwritten Offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing Underwriter of such offering;

3.1.15 make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months beginning with the first day of the Company's first full calendar quarter after the effective date of the Registration Statement which satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any successor rule promulgated thereafter by the Commission); provided, that the Company will not have any obligation to provide any information pursuant to this clause that is available on the Commission's EDGAR system;

3.1.16 if the Registration involves the Registration of Registrable Securities involving gross proceeds in excess of $50,000,000, use its reasonable efforts to make available senior executives of the Company to participate in customary "road show" presentations that may be reasonably requested by the Underwriter in any

Underwritten Offering; and

3.1.17 otherwise, in good faith, cooperate reasonably with, and take such customary actions as may reasonably be requested by the Holders, in connection with such Registration.

Section 3.2 Registration Expenses. The Registration Expenses of all Registrations shall be borne by the Company. It is acknowledged by the Holders that the Holders shall bear all incremental selling expenses relating to the sale of Registrable Securities, such as Underwriters' commissions and discounts, brokerage fees, Underwriter marketing costs and, other than as set forth in the definition of "***Registration Expenses***," all reasonable fees and expenses of one legal counsel representing the Holders not to exceed $50,000 per Registration.

Section 3.3 Requirements for Participation in Underwritten Offerings. No person may participate in any Underwritten Offering for equity securities of the Company pursuant to a Registration initiated by the Company hereunder unless such person (i) agrees to sell such person's securities on the basis provided in any underwriting arrangements approved by the Company and (ii) completes and executes all customary questionnaires, powers of attorney, indemnities, lock-up agreements, underwriting agreements and other customary documents as may be reasonably required under the terms of such underwriting arrangements. Notwithstanding anything in this Agreement to the contrary, if any Holder does not complete and/or execute such documents or does not otherwise provide the Company with such information with respect to such Holder as the Company reasonably requests for use in connection with any such Registration Statement or Prospectus covering Registrable Securities of such Holder within two (2) Business Days prior to filing the filing of the applicable "red herring" prospectus or prospectus supplement, the Company may exclude such Holder's Registrable Securities from the applicable Registration Statement or Prospectus if the Company determines, based on the advice of counsel, that such information is necessary to effect the registration and such Holder continues thereafter to withhold such information.

Section 3.4 Suspension of Sales. Upon receipt of written notice from the Company that a Registration Statement or Prospectus contains a Misstatement, each of the Holders shall forthwith discontinue disposition of Registrable Securities until he, she or it has received copies of a supplemented or amended Prospectus correcting the Misstatement (it being understood that the Company hereby covenants to prepare and file such supplement or amendment as soon as practicable after the time of such notice), or until he, she or it is advised in writing by the Company that the use of the Prospectus may be resumed. Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to delay or postpone the filing or effectiveness of a Registration Statement, and from time to time to require the Holders not to sell under a Registration Statement or to suspend the effectiveness thereof, if the negotiation or consummation of a transaction by the Company or its subsidiaries is pending or an event has occurred, which negotiation, consummation or event the Board reasonably believes would require additional disclosure by the Company in the Registration Statement of material information that the Company has a bona fide business purpose for keeping confidential and the non-disclosure of which in the Registration Statement would be expected, in the reasonable determination of the Board to cause the Registration Statement to fail to comply with applicable disclosure requirements (each such circumstance, a "**Suspension Event**"); *provided, however*, that the Company may not delay or suspend a Registration Statement for the shortest period of time, but in no event more than thirty (30) days, determined in good faith by the Company to be necessary for such purpose. Upon receipt of any written notice from the Company of the happening of any Suspension Event during the period that a Registration Statement is effective or if as a result of a Suspension Event a Registration Statement or related prospectus contains any Misstatement, the Holders agree that (i) they will immediately discontinue offers and sales of the Shares under such Registration Statement (excluding, for the avoidance of doubt, sales conducted pursuant to Rule 144) until the Holders receive copies of a supplemental or amended prospectus (which the Company agrees to promptly prepare) that corrects the Misstatements referred to above and receives notice that any post-effective amendment has become effective or unless otherwise notified by the Company that it may resume such offers and sales, and (ii) they will maintain the confidentiality of any information included in such written notice delivered by the Company unless otherwise required by law or subpoena. If so directed by the Company, the Holders will deliver to the Company or, in each Holder's sole discretion destroy, all copies of the prospectus covering the Shares in such Holder's possession; provided, however, that this obligation to deliver or destroy all copies of the prospectus covering the Shares shall not apply (i) to the extent the Holder is required to retain a copy of such prospectus (a) in order to comply with applicable legal, regulatory, self-regulatory or professional requirements or (b) in accordance with a bona fide pre-existing document retention policy or (ii) to copies stored electronically on archival servers as a result of automatic data back-up.

Section 3.5 Reporting Obligations. As long as any Holder shall own Registrable Securities, the Company, at all times while it shall be a reporting company under the Exchange Act, covenants to file timely (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to Sections 13(a) or 15(d) of the Exchange Act and to promptly furnish the Holders with true and complete copies of all such filings; provided that any documents publicly filed or furnished with the Commission on EDGAR shall be deemed to have been furnished or delivered to the Holders pursuant to this Section. The Company further covenants that it shall take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell shares of Common Stock held by such Holder without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act (or any successor rule promulgated thereafter by the Commission), including providing any legal opinions at the Company's expense. Upon the request of any Holder, the Company shall deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requirements.

ARTICLE IV
INDEMNIFICATION AND CONTRIBUTION

Section 4.1 Indemnification

4.1.1 The Company agrees to indemnify, to the extent permitted by law, each Holder of Registrable Securities, its officers and directors and agents and each person who controls such Holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses (including reasonable attorneys' fees) caused by any actual or alleged Misstatement, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such Holder expressly for use therein.

4.1.2 In connection with any Registration Statement in which a Holder of Registrable Securities is participating, such Holder shall furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such Registration Statement or Prospectus and, to the extent permitted by law, shall indemnify the Company, its directors and officers and agents and each person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses (including without limitation reasonable attorneys' fees) resulting from any actual Misstatement, but only to the extent that such actual or alleged Misstatement is made in reliance on and in conformity with any information or affidavit so furnished in writing by or on behalf of such Holder expressly for use therein; provided, however, that the obligation to indemnify shall be several, not joint and several, among such Holders of Registrable Securities, and the liability of each such Holder of Registrable Securities shall be in proportion to and limited to the net proceeds received by such Holder from the sale of Registrable Securities pursuant to such Registration Statement.

4.1.3 Any person entitled to indemnification herein shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any person's right to indemnification hereunder to the extent such failure has not materially prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim. No indemnifying party shall, without the consent of the indemnified party, not to be unreasonably withheld or delayed, consent to the entry of any judgment or enter into any settlement which cannot be settled in all respects by the payment of money (and such money is so paid by the indemnifying party pursuant to the terms of such settlement) and which settlement does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

4.1.4 The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling person of such indemnified party and shall survive the transfer of securities. The Company and each Holder of Registrable Securities participating in an offering also agrees to make such provisions as are reasonably requested by any indemnified party for contribution to such party in the event the Company's or such Holder's indemnification is unavailable for any reason.

4.1.5 If the indemnification provided under Section 4.1 hereof from the indemnifying party is held by a court of competent jurisdiction to be unavailable or insufficient to hold harmlessto an indemnified party in respect of any losses, claims, damages, liabilities and expenses referred to herein, then the indemnifying party, in lieu of indemnifying the indemnified party, shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities and expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any actual or alleged Misstatement, was made by, or relates to information supplied by, such indemnifying party or indemnified party, and the indemnifying party's and indemnified party's relative intent, knowledge, access to information and opportunity to correct or prevent such action; provided, however, that the liability of any Holder under this subsection 4.1.5 shall be limited to the amount of the net proceeds received by such Holder in such offering giving rise to such liability. The amount paid or payable by a party as a result of the losses or other liabilities referred to above shall be deemed to include, subject to the limitations set forth in subsections 4.1.1, 4.1.2 and 4.1.3 above, any legal or other fees, charges or expenses reasonably incurred by such party in connection with any investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this subsection 4.1.5 were determined by pro rata allocation or by any other method of allocation, which does not take account of the equitable considerations referred to in this subsection 4.1.5. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution pursuant to this subsection 4.1.5 from any person who was not guilty of such fraudulent misrepresentation.

ARTICLE V
GENERAL PROVISIONS

Section 5.1 Entire Agreement. Except as expressly set forth herein, this Agreement (including the exhibits attached hereto) and the Transaction Documents (as defined in the Purchase Agreement) constitute the entire agreement and understanding of the Company and the Holder with respect to the subject matter hereof and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 5.2 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

(a) if to the Holder:

Honeywell ACS Ventures LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202
Attention: Anne Madden and Jake Wasserman
Email: [...]

with a copy (which shall not constitute notice) to:

Blank Rome LLP
1271 Sixth Avenue
New York, NY 10020
Attention: Kathleen A. Cunningham
Email: Kathleen.cunningham@blankrome.com or at such other address as the Holder shall have furnished to the Company.

(b) if to the Company:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070
Attention: Kelly F. Goodman
Email: [...]

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Rd

Palo Alto, CA 94304

Attention: Mark Baudler, Lianna Whittleton
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com or at such other address as the Company shall have furnished to the Holder.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), (ii) if sent by mail, at the earlier of its receipt or five days after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

Section 5.3 Assignment; No Third-Party Beneficiaries. This Agreement and the rights, duties and obligations of the Company hereunder may not be assigned or delegated by the Company in whole or in part. This Agreement and the rights, duties and obligations of the Holders of Registrable Securities hereunder may be freely assigned or delegated by such Holder of Registrable Securities in conjunction with and to the extent of any transfer of Registrable Securities by any such Holder. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the parties and the permitted assigns of the applicable holder of Registrable Securities or of any assignee of the applicable holder of Registrable Securities. This Agreement is not intended to confer any rights or benefits on any persons that are not party hereto other than as expressly set forth in Article 4 and this Section 5.3. No assignment by any party hereto of such party's rights, duties and obligations hereunder shall be binding upon or obligate the Company unless and until the Company shall have received a joinder to this Agreement in the form attached as Exhibit A hereto. Any transfer, assignment or delegation made other than as provided in this Section 5.3 shall be null and void.

Section 5.4 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties (including by electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, e.g., www.docusign.com) and delivered to the other parties, it being understood that all parties need not sign the same counterpart and such counterparts may be delivered by the parties hereto via facsimile or electronic transmission.

Section 5.5 Amendment; Waiver. This Agreement may be amended or modified, and any provision hereof may be waived, in whole or in part, at any time pursuant to an agreement in writing executed by (i) the Company, and (ii) holders of a majority of the Registrable Securities held at such time; provided, however, that notwithstanding the foregoing, any amendment hereto or waiver hereof that materially and adversely affects one Holder, solely in his, her or its capacity as a holder of the shares of capital stock of the Company, in a manner that is materially different from the other Holders (in such capacity) shall require the consent of the Holder so affected. No waiver of any single breach or default shall be deemed a waiver of any other breach or default theretofore or thereafter occurring.

Section 5.6 Severability.. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Agreement, and such illegal, unenforceable or void provision shall be replaced with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, unenforceable or void provision. The balance of this Agreement shall be enforceable in accordance with its terms.

Section 5.7Governing Law.This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

Section 5.8 Jurisdiction and Venue. Each of the Holder and the Company hereby submits and consents irrevocably to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware for the interpretation and enforcement of the provisions of this Agreement and all actions arising out of or in connection with this Agreement. Each of the Holder and the Company also agrees that the jurisdiction over such persons and the subject matter of such dispute shall be effected by the mailing of process or other papers in connection with any such action in the manner provided for in Section 9.3 or in such other manner as may be lawful, and that service in such manner shall constitute valid and sufficient service of process

Section 5.9Specific Performance. Each party acknowledges and agrees that money damages would not be a sufficient remedy for any breach (or threatened breach) of this Agreement by it and that, in the event of any breach or threatened breach of this Agreement, (a) the party seeking specific performance will be entitled to

injunctive and other equitable relief, without proof of actual damages; (b) the party against whom specific performance is sought will not plead in defense that there would be an adequate remedy at law; and (c) the party against whom specific performance is sought agrees to waive any applicable right or requirement that a bond be posted. Such remedies will not be the exclusive remedies for a breach of this Agreement, but will be in addition to all other remedies available at law or in equity.

Section 5.10 Term. This Agreement shall terminate with respect to any Holder upon the date as of which such Holder ceases to hold any Registrable Securities. The provisions of Article 4 shall survive any termination.

Section 5.11 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits attached hereto.

Section 5.12 Waiver of Jury Trial. EACH OF THE HOLDER AND THE COMPANY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT.

Section 5.13 Saturdays, Sundays and Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a Saturday, Sunday or U.S. federal holiday.

Section 5.14 Further Assurances. Each of the Company and the Holder agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership or other powers, all such other and additional instruments and documents and do all such other acts and things as may be reasonably necessary to more fully effectuate this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the date first written above.

COMPANY:
ESS TECH, INC.

By: /s/ Eric P. Dresselhuys
Name: Eric P. Dresselhuys
Title: Chief Executive Officer

[Signature Page to Registration Rights Agreement]

HOLDER:

HONEYWELL ACS VENTURES LLC
By its managing member:
HONEYWELL INTERNATIONAL INC.

By: /s/ James Steinberg
Name: James Steinberg
Title: Senior Vice President, Corporate Development and Global Head of M&A

[Signature Page to Registration Rights Agreement]

EXHIBIT A

This JOINDER AND AGREEMENT (this "Joinder") is made this [ ] by the undersigned (the "Joining Party"), pursuant to that certain Registration Rights Agreement (the "Registration Rights Agreement"), dated as of September 21, 2023 by and between ESS Tech, Inc. (the "Company") and Honeywell ACS Ventures LLC ("ACS"), and the other Holders party thereto. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Registration Rights Agreement.

WITNESSETH:

WHEREAS, concurrently with the execution and delivery of this Joinder, each Joining Party shall become a party to the Registration Rights Agreement and a Holder thereunder.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Each Joining Party acknowledges and agrees that by execution and delivery of this Joinder, such Joining Party becomes a party to the Registration Rights Agreement and a Holder thereunder, subject to the terms, conditions, restrictions, representations, warranties, obligations, agreements and covenants set forth therein. Each Joining Party hereby acknowledges that such Joining Party has reviewed a copy of the Registration Rights Agreement.

2. Notwithstanding the place where this Joinder may be executed by the undersigned, each Joining Party expressly agrees that this Joinder shall be governed and construed under the laws of the State of Delaware, without regard to conflicts of laws and principles thereof.

3. If any term, provision, covenant or restriction of this Joinder is held to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have entered into this Joinder as of the date first above stated.

JOINING PARTY:

[ ]

By:______________________
Name:
Title:

Acknowledged and Agreed:

ESS TECH, INC.

By: ______________________________

Name:

Title:

Execution Version

COMMON STOCK AND WARRANT PURCHASE AGREEMENT

This Common Stock and Warrant Purchase Agreement (this "**Agreement**") is dated as of September 21, 2023, by and between ESS Tech, Inc., a Delaware corporation (the "**Company**"), and Honeywell ACS Ventures LLC (the "**Investor**"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in **Schedule I** hereto.

RECITALS

WHEREAS, the Company and the Investor are entering into this Agreement, and other related agreements, pursuant to which, among other things, the Investor will purchase from the company the Shares and the Warrants (each as defined herein).

NOW, **THEREFORE**, in consideration of the mutual promises of the parties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

SECTION 1
AUTHORIZATION, SALE AND ISSUANCE, ALLOCATION OF PURCHASE PRICE

1.1 Authorization. The Company will, prior to the Closing (as defined below), authorize (a) the sale and issuance of up to 16,491,754 shares of common stock, par value $0.0001 per share, of the Company (such stock, the "**Common Stock**" and such shares, the "**Shares**"), and (b) (i) the issuance of a warrant (the "**Investment Warrant**"), for the purchase of up to 10,631,633 shares of Common Stock (the "**Investment Warrant Shares**"), and (ii) the issuance of a warrant (the "**IP Warrant**" and together with the Investment Warrant, the "**Warrants**"), for the purchase of up to 6,269,955 shares of Common Stock (the "**IP Warrant Shares**" and together with the Investment Warrant Shares and the Additional Tranche Warrant Shares, the "**Warrant Shares**"), each in the form of Exhibit A.

1.2 Sale and Issuance of Shares. Subject to the terms and conditions of this Agreement, the Company shall issue and sell to the Investor and the Investor will purchase from the Company the Shares in exchange for the aggregate purchase price of $27,500,000 (the "**Purchase Price**"). The Shares and Warrants shall, at the Closing, be issued free and clear of all Liens.

1.3 Sale and Issuance of Warrants. Subject to the terms hereof, at the Closing, the Company shall issue to the Investor the Investment Warrant to be allocated to the portion of the Tax Purchase Price (as defined below) allocable to such Warrant pursuant to Section 1.4. For the avoidance of doubt, (a) the Investment Warrant is being issued as further consideration for the Investor's purchase from the Company of the Shares, and (b) the IP Warrant is being issued to UOP LLC as further consideration for UOP LLC's licensing to the Company of certain licenses pursuant to the Patent License Agreement to be entered into concurrently herewith.

1.4 Allocation of Purchase Price.

a. The allocation of the Purchase Price (together with all other amounts constituting consideration for United States federal, state and local tax purposes) (the "**Tax Purchase Price**") for United States federal, state and local tax purposes, shall be determined in the following manner:

i. Within ninety (90) days following the Closing, the Company shall provide the Investor with a proposed allocation of the Tax Purchase Price among the Shares and the Investment Warrant in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and any comparable provision of applicable law (the "**Company Draft Allocation**");

ii. If the Investor disagrees with the Company Draft Allocation, the Investor may, within thirty (30) days after delivery of the Company Draft Allocation, deliver a notice (the "**Investor Allocation Notice**") to the Company to such effect, specifying the items with which the Investor disagrees and setting forth the Investor's proposed allocation of the Tax Purchase Price. If an Investor Allocation Notice is duly delivered, the Investor and the Company shall, during the thirty (30) days following such delivery, use commercially reasonable efforts to reach agreement on the disputed items or amounts in order to determine the allocation of the Tax Purchase Price;

iii. If the Investor and the Company are unable to reach such agreement, the Investor and the Company shall (unless the parties hereto agree in writing to extend the negotiation timeline) submit all matters that remain in dispute with respect to the Investor Allocation Notice (along with a copy of the Company Draft Allocation marked to indicate those line items not in dispute) to an independent, nationally recognized accounting firm mutually agreed to by the Investor and the Company (the "**Reviewing Accountant**"). The Investor and the Company shall instruct the Reviewing Accountant to make a determination no later than thirty (30) days following the submission of such dispute, based solely on the written submissions of the Company, on the one hand, and the Investor, on the other hand. The Reviewing Accountant shall adjust the Company Draft Allocation based on these determinations. All fees and expenses relating to the work, if any, to be performed by the Reviewing Accountant shall be borne equally by the parties;

iv. the Company Draft Allocation, as prepared by the Company if the Investor has not delivered an Investor Allocation Notice in accordance with Section 1.4(a)(ii), as adjusted pursuant to any agreement between the Investor and the Company, or as adjusted by the Reviewing Accountant, shall, absent fraud or a final determination to the contrary by a taxing authority, be conclusive and binding on the Investor and the Company for all tax purposes; and

v. the Investor and the Company shall, and shall cause their respective Affiliates to, reasonably cooperate to adjust the allocation of the Tax Purchase Price to reflect any subsequent adjustments to the consideration paid for the Shares and the Investment Warrant for tax purposes.

b. The Company, the Investor, and their respective Affiliates agree to file all tax returns consistently with this Section 1.4 and not take any position inconsistent therewith except as required by a "determination" within the meaning of Section 1313(a) of the Internal Revenue Code of 1986, as amended.

SECTION 2
CLOSING AND DELIVERY

2.1 Closing. Thepurchase and sale of the Shares and Warrants shall take place on the date hereof, or at such other date as the Company and the Investor mutually agree upon in writing (which date is designated as the "**Closing**").

2.2 Deliveryand Payment. At the Closing, the Company shall deliver to the Investor (a) a copy of the irrevocable instructions to the Company's transfer agent instructing the transfer agent to deliver, on an expedited basis, a book-entry statement evidencing the electronic registration and ownership by the Investor of the Shares and Warrants, against payment of the Purchase Price therefor by check payable to the Company or by wire transfer to a bank account designated by the Company; (b) evidence from transfer agent that the transfer agent has recorded the issuance to the Investor and that the Investor is the holder of the Shares and Warrants; and (c) fully executed copies of the Warrants.

SECTION 3
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Investor as of the Closing that the representations, warranties and schedules set forth on Schedule 3 hereto are true and correct.

SECTION 4
REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor hereby represents and warrants (and covenants, as applicable) to the Company as of the Closing as follows:

4.1 Organization, Good Standing and Qualification. The Investor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Connecticut. The Investor has the requisite power and authority to own and operate its properties and assets, to carry on its business as presently conducted, to execute and deliver this Agreement, to purchase the Shares, the Warrants and the Warrant Shares and to perform its obligations pursuant to this Agreement. The Investor is presently qualified to do business as a foreign entity in each jurisdiction where the failure to be so qualified would reasonably be expected to have a material adverse effect on the Investor's financial condition or business as now conducted. The Investor's principal place of business is in the State of North Carolina.

4.2 Authorization. All action on the part of the Investor and its members and managers necessary for the authorization, execution and delivery of each Transaction Document to which the Investor is a party by the Investor, the purchase of the Shares, the Warrants and the Warrant Shares, and the performance of all of the Investor's obligations under each Transaction Document to which the Investor is a party has been taken prior to the Closing. Each Transaction Document to which the Investor is a party, when executed, constitutes the valid and binding obligations of the Investor, enforceable in accordance with their terms, except (a) as limited by laws of general application relating to bankruptcy, insolvency and the relief of debtors and (b) as

limited by rules of law governing specific performance, injunctive relief or other equitable remedies and by general principles of equity.

4.3 Accredited Investor. The Investor is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the SEC under the Securities Act and shall submit to the Company such further assurances of such status as may be reasonably requested by the Company.

4.4 Investment Intent; Blue Sky. The Investor acknowledges that it is acquiring the Shares, the Warrants and any Warrant Shares for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, any distribution thereof. It understands that the issuance of the Shares, the Warrants and the Warrant Shares have not been, and, except as set forth in the Registration Rights Agreement, will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the Investor's investment intent and the accuracy of the Investor's representations as expressed herein. The Investor's address set forth herein represents the Investor's true and correct state of domicile, upon which the Company may rely for the purpose of complying with applicable "Blue Sky" laws.

4.5 Restrictions on Transfer; Restrictive Legends. It understands that the transfer of the Shares, the Warrants and any Warrant Shares is restricted by applicable state and federal securities laws and by the provisions of this Agreement, and that the certificates representing the Shares, the Warrants and any Warrants Shares will be imprinted with legends in the following form restricting transfer except in compliance therewith:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS CERTIFICATE MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPOTHECATION OF ANY INTEREST IN ANY OF THE SHARES OR WARRANTS REPRESENTED HEREBY.

Notwithstanding anything to the contrary, the legend requirements shall terminate when (i) the security has been effectively registered under the Securities Act pursuant to the Registration Rights Agreement or otherwise and disposed of pursuant thereto, or (ii) the Company shall have received an opinion of counsel reasonably satisfactory to it that such legend is not required in order to insure compliance with the Securities Act. If requested by the Investor, the Company shall remove the legend required by this Agreement as soon as the Shares and Warrant Shares are eligible for sale under Rule 144.

4.6 **Access to Data**. The Investor acknowledges that it has access to and the opportunity to review the SEC Reports and other documents requested by the Investor in the

course of its due diligence. The Investor further acknowledges that the Investor has (a) received information concerning the business and financial condition of the Company in response to all inquiries in respect thereof, and (b) been given the opportunity to meet with management of the Company. The Investor has relied solely upon the information it has received from the Company, the representations set forth in this Agreement, the advice of its representatives, if any, and independent investigations made by the Investor and/or its representatives, if any, in making the decision to purchase the Shares, the Warrants and the Warrant Shares.

4.7 **Brokers or Finders.** The Investor has not engaged any brokers, finders or agents, and the Company has not, nor will, incur, directly or indirectly, as a result of any action taken by such Investor, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement.

4.8 **Tax Advisors.** The Investor has reviewed with such Investor's own tax advisors the U.S. federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. With respect to such matters, such Investor relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral (except for any such representations made by the Company in Section 3). The Investor understands that such Investor (and not the Company) shall be responsible for such Investor's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

4.9 **Acknowledgement by Investor**. The Investor is not relying and has not relied on any representations or warranties whatsoever regarding the subject matter of this Agreement (including the schedules and exhibits hereto), except for the representations and warranties made by the Company in Section 3 of this Agreement, including the schedules hereto. The representations and warranties made by the Company contained in Section 3 of this Agreement, constitute the sole and exclusive representations and warranties of the Company in connection with the transactions contemplated by this Agreement and the Investor understands, acknowledges and agrees that all other representations and warranties of any kind or nature whether express, implied or statutory, are specifically disclaimed by the Company.

4.10 **No "Bad Actor" Disqualification**. The Investor is not subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii) under the Securities Act.

4.11 **Additional Information**. The Investor will furnish any additional information reasonably requested by the Company to assure compliance with applicable U.S. federal and state securities laws, or upon the request of the Company's transfer agent, in connection with the purchase and sale of the Shares, Warrants and Warrant Shares.

SECTION 5
CONDITIONS TO INVESTOR'S OBLIGATIONS TO CLOSE

The Investor's obligation to purchase the Shares and Warrants at the Closing is subject to the fulfillment on or before the Closing of each of the following conditions, unless waived in writing by the Investor:

5.1 Representations and Warranties. The representations and warranties made by the Company in Section 3 shall be true and correct in all material respects as of the Closing.

5.2 Covenants. The Company shall have performed or complied with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Company on or prior to the Closing in all material respects.

5.3 Transaction Documents. The Company shall have duly executed and delivered to the Investor the Transaction Documents to which the Company is a party.

SECTION 6
CONDITIONS TO COMPANY'S OBLIGATION TO CLOSE

The Company's obligation to sell and issue the Shares and the Warrants at the Closing is subject to the fulfillment on or before the Closing of the following conditions, unless waived in writing by the Company:

6.1 Representations and Warranties. The representations and warranties made by the Investor in Section 4 shall be true and correct in all material respects as of the Closing.

6.2 Covenants. The Investor shall have performed or complied with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Investor on or prior to the Closing in all material respects.

6.3 PurchasePrice. The Investor shall have delivered to the Company the Purchase Price.

6.4 Transaction Documents. The Investor shall have duly executed and delivered to the Company the Transaction Documents to which the Investor is a party.

SECTION 7
COVENANTS

7.1 Exchange Act filings. The Company shall, by 9:00 a.m., New York City time, on the first (1st) business day immediately following the date of this Agreement, issue one or more press releases or file with the Commission a Current Report on Form 8-K (collectively, the "**Disclosure Document**") disclosing all material terms of the transactions contemplated hereby. The Company shall provide a copy of the Disclosure Document to the Investor at least two (2) days prior to filing any such document and shall incorporate in good faith any suggested edits to any Disclosure Document by the Investor. The Company and its Affiliates shall not make or issue any other press releases or otherwise make any public statements or make any disclosures to any third person or entity with respect to the transactions contemplated herein without the Investor's express prior approval (which may not be unreasonably withheld or delayed (which shall be deemed longer than three (3) business days)) except (i) to the extent such disclosure is required by law or requested of the staff of the SEC or of any regulatory agency or principal trading market regulations or (ii) if the form and substance of such disclosure previously has been approved of by the Investor in compliance with this Section 7.1. Following the date of the Closing, the Company shall keep current in the filings of its required disclosures pursuant to the Exchange Act such that all information related to the Company is considered current for purposes of Rule 144. If requested by the Investor, the Company shall remove any legends on any of the Shares, Warrants or Warrant Shares to the extent such securities are not registered and are eligible for sale under Rule 144.

7.2 Publicity. The parties agree to consult with each other reasonably and in good faith with respect to the text and timing of any press releases or announcements relating to this Agreement, which shall be agreed in advance by the parties prior to the issuance thereof (including any Disclosure Document); provided that a party may not unreasonably withhold, condition or delay consent to such releases by more than three business days and that either party may issue press releases or disclosures to the Securities and Exchange Commission or other applicable Governmental Authority (i) as it determines, based on advice of counsel, is reasonably necessary to comply with applicable laws or the rules and regulations of any applicable stock exchange or (ii) if the form and substance of such press releases or disclosures previously has been approved of by the other party in compliance with this Section 7.2. Each party shall provide the other party with advance written notice at least three business days prior to any legally required disclosures; provided that each party shall have the right to make such filings as it reasonably determines necessary under applicable laws.

7.3 Material Non-Public Information. At 12:01 A.M. on the day after the Company publicly announces its financial results (whether on an earnings call for such fiscal quarter, an earnings release, SEC filing or otherwise), the parties agree that Investor will not have any MNPI, unless the Company informs Investor in writing that it reasonably believes that Investor is in possession of MNPI.

7.4 Notification of Certain Events.

a. Notification of Certain Events. For as long as the Investor or any of its Affiliates beneficially owns shares of Common Stock representing beneficial ownership of fifty percent (50%) or more of the common stock beneficially owned by Investor at Closing (including Common Stock issuable upon the exercise of convertible securities held by the Investor), the Company shall provide written notice to Investor of the following events:

i. Upon the determination by the Company that it has received a bona fide offer from a third party that the board of directors of the Company, acting in good faith, authorizes the Company to pursue for an investment in the Company or any of its subsidiaries; or

ii. Prior to the Company commencing an offering of equity or convertible debt securities of the Company or any of its subsidiaries;

the Company shall send written notice to the Investor (I) in respect of subsection 7.4(a)(i) above, promptly upon such determination, and (II) in respect of subsection 7.4(a)(ii) above, at least ten (10) days prior to the Company commencing such offering of equity or convertible debt securities. The notice shall provide the material terms of any such transaction including offering prices and the applicable counterparty (to the extent known).

The Investor shall not have any rights to notice under this Section 7.4 of issuances of securities to (i) to employees, officers, directors, consultants or contractors of the Company to the extent approved by the Company's governing body, whether pursuant to an incentive plan,

employment agreements, advisory agreements, or otherwise in their capacities as such (ii) as payment of all or any part of the purchase price or other consideration for any business or assets thereof acquired or licensed by any means by the Company or any of its subsidiaries or affiliates, or (iii) upon the exercise of any option or other right described in any of clauses (i) through (ii).

7.5 **Dribble Out**. The Investor shall not in any month sell, transfer or assign, through the facilities of any exchange or quotation system on which the Common Stock is then listed or quoted, Shares or Warrant Shares to another Person if the aggregate number of shares so sold, transferred or assigned in such month would exceed 3% of the shares of the Company then outstanding, and in any seven-day period, shall not sell, transfer or assign, through the facilities of any exchange or quotation system on which the Common Stock is then listed or quoted, Shares or Warrant Shares to another Person if the aggregate number of shares so sold, transferred or assigned in such seven-day period would exceed 1% of the shares of the Company then outstanding. The foregoing provisions of this Section 7.6 shall not restrict a block (as defined pursuant to Rule 10b-18(a)(5) under the Exchange Act) sale of Shares or Warrant Shares, the transfer of Shares or Warrant Shares to an Affiliate or any sale of Shares or Warrant Shares by the Investor pursuant to an underwritten offering. Notwithstanding anything to the contrary contained in this Agreement, the Investor shall reserve the right to sell, transfer or assign in any manner, any securities held or deemed beneficially owned by Investor, in excess of 20% of the outstanding shares of Common Stock of the Company.

SECTION 8
VOTING

8.1 **Agreement to Vote**. The Investor agrees that so long as the Investor beneficially owns shares of Common Stock representing ownership of five percent (5%) or more of the Company's then outstanding shares of Common Stock, at any annual or special meeting of the Company, and at every adjournment or postponement thereof, the Investor shall, in each case, to the fullest extent that the Shares or Warrant Shares are entitled to vote and proper notice is given to the Investor: (i) appear at each such meeting or otherwise cause all such Shares or Warrant Shares to be counted as present thereat for purposes of determining a quorum and (ii) be present (in person or by proxy) and vote (or cause to be voted) all of the Shares and Warrant Shares.

For the avoidance of doubt, the foregoing commitments in this Section 8.1 apply to any Shares or Warrant Shares held by any Person directly or indirectly holding Shares or Warrant Shares over which the Investor exercises direct or indirect voting control.

SECTION 9
MISCELLANEOUS

9.1 **Amendment.** Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument referencing this Agreement and signed by the Company and the Investor.

9.2 **Waivers.** No waiver of any single breach or default shall be deemed a waiver of any other breach or default theretofore or thereafter occurring.

9.3 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

a. if to the Investor:

Honeywell ACS Ventures LLC
c/o Honeywell International Inc.
855 S. Mint Street
Charlotte, NC 28202
Attention: Anne Madden and Jake Wasserman
Email: [...]

with a copy (which shall not constitute notice) to:

Blank Rome LLP
1271 Sixth Avenue
New York, NY 10020
Attention: Kathleen A. Cunningham
Email: Kathleen.cunningham@blankrome.com or at such other address as the Investor shall have furnished to the Company.

b. if to the Company:

ESS Tech, Inc.
26550 SW Parkway Ave., Bldg. 83
Wilsonville, OR 97070
Attention: Kelly F. Goodman
Email: [...]

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Rd
Palo Alto, CA 94304
Attention: Mark Baudler, Lianna Whittleton
Email: mbaudler@wsgr.com, lwhittleton@wsgr.com or at such other address as the Company shall have furnished to the Investor.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), (ii) if sent by mail, at the earlier of its receipt or five days after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

9.4 Governing Law. This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

9.5 Jurisdiction and Venue. Each of the Investor and the Company hereby submits and consents irrevocably to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware for the interpretation and enforcement of the provisions of this Agreement and all actions arising out of or in connection with this Agreement. Each of the Investor and the Company also agrees that the jurisdiction over such persons and the subject matter of such dispute shall be effected by the mailing of process or other papers in connection with any such action in the manner provided for in Section 9.3 or in such other manner as may be lawful, and that service in such manner shall constitute valid and sufficient service of process.

9.6 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs and exhibits shall, unless otherwise provided, refer to sections and paragraphs hereof and exhibits attached hereto.

9.7 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Agreement, and such illegal, unenforceable or void provision shall be replaced with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, unenforceable or void provision. The balance of this Agreement shall be enforceable in accordance with its terms.

9.8 Waiver of Jury Trial. EACH OF THE INVESTOR AND THE COMPANY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT.

9.9 Saturdays, Sundays and Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or U.S. federal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a Saturday, Sunday or U.S. federal holiday.

9.10 Survival. The representations and warranties of the Company and the Investor contained in this Agreement shall survive the execution and delivery of this Agreement for a period of two (2) years from the date of the Closing and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of the Investor or the Company.

9.11 Specific Performance. Each party acknowledges and agrees that money damages would not be a sufficient remedy for any breach (or threatened breach) of Section 8 by it and that, in the event of any breach or threatened breach of Section 8, (a) the party seeking specific performance will be entitled to injunctive and other equitable relief, without proof of actual damages; (b) the party against whom specific performance is sought will not plead in defense that there would be an adequate remedy at law; and (c) the party against whom specific performance is sought agrees to waive any applicable right or requirement that a bond be posted.

Such remedies will not be the exclusive remedies for a breach of Section 8, but will be in addition to all other remedies available at law or in equity.

9.12 Entire Agreement. Except as expressly set forth herein, this Agreement (including the exhibits attached hereto) and the Transaction Documents constitute the entire agreement and understanding of the Company and the Investor with respect to the subject matter hereof and supersede all prior agreements and understandings relating to the subject matter hereof.

9.13 Further Assurances. Each of the Company and the Investor agrees to execute and deliver, by the proper exercise of its corporate, limited liability company, partnership or other powers, all such other and additional instruments and documents and do all such other acts and things as may be reasonably necessary to more fully effectuate this Agreement.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized signatories as of the date first indicated above.

THE COMPANY

ESS TECH, INC.

By: Eric P. Dresselhuys
Name: Eric P. Dresselhuys
Title: Chief Executive Officer

INVESTOR

HONEYWELL ACS VENTURES LLC

By its managing member:

HONEYWELL INTERNATIONAL INC.

By: James Steinberg
Name: James Steinberg
Title: Senior Vice President, Corporate Development and Global Head of M&A

(*Signature page to Common Stock and Warrant Purchase Agreement*)

SCHEDULE 1

DEFINITIONS

"**Affiliate**" means, with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person.

"**Claim**" means a claim for Losses.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended and such rules and regulations promulgated thereunder.

"**Governmental Authority**" means any federal, state, local, or any non-U.S. government, governmental, regulatory (including self-regulatory) or administrative authority, body, agency or commission or any court, tribunal, or judicial or arbitral body of competent jurisdiction with binding authority over the applicable Person.

"**Laws**" means any United States federal, state and local, and any non-U.S., laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority of competent jurisdiction.

"**Lien**" means any charge, lien, statutory lien, pledge, mortgage, security interest, Claim, encroachment, encumbrance, restriction on use or transfer or receipt of income, right of first refusal, easement, right of way, option, conditional sale, or other title retention agreement of any kind or nature.

"**Losses**" means losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs), both individually and collectively.

"**Order**" means and includes any writ, law, rule, regulation, executive order or decree, judgment, injunction, ruling, or other order, whether temporary, preliminary, or permanent enacted, issued, promulgated, enforced, or entered into by any Governmental Authority of competent jurisdiction.

"**Organizational Document**" means, with respect to any Person, (a) the articles or certificate of incorporation, association, or formation and the bylaws of a corporation; (b) operating agreement, limited liability company agreement, or similar document governing a limited liability company; (c) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (d) any amendment to any of the foregoing.

"**Person**" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or Governmental Authority.

"**Transaction Documents**" means this Agreement, the Registration Rights Agreement between the Investor and the Company entered into currently herewith, the Investment Warrant, the IP Warrant, the Joint Development Agreement between the Investor and the Company entered into currently herewith, the Patent License Agreement between the Investor and the Company entered into currently herewith and the Master Supply Agreement between the Investor and the Company entered into currently herewith.

(*Remainder of page left intentionally blank*)

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric P. Dresselhuys, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023 of ESS Tech, 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 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 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 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 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 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 functions):
    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 controls over financial reporting.

August 8, November 14, 2023

By: */s/ Eric P. Dresselhuys*

Eric P. Dresselhuys
Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony Rabb, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023 of ESS Tech, 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 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 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 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 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 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 functions):
   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 controls over financial reporting.

August 8, November 14, 2023

By: */s/ Anthony Rabb*

Anthony Rabb
Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

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 Quarterly Report of ESS Tech, Inc. (the "Company") on Form 10-Q for the quarter ended June September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric P. Dresselhuys, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

August 8, November 14, 2023

By: */s/ Eric P. Dresselhuys*
Name: Eric P. Dresselhuys
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

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 Quarterly Report of ESS Tech, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Rabb, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

August 8, November 14, 2023

By: */s/ Anthony Rabb*
Name: Anthony Rabb
Title: Chief Financial Officer
(Principal Financial Officer)

REFINITIV

DISCLAIMER