

REFINITIV

DELTA REPORT

10-Q

KULR - KULR TECHNOLOGY GROUP, IN

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1247

■ CHANGES	131
■ DELETIONS	530
■ ADDITIONS	586

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: **September 30, 2023** **March 31, 2024**

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:
001-40454

KULR TECHNOLOGY GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

81-1004273

(I.R.S. Employer Identification No.)

4863 Shawline Street, San Diego, California
(Address of principal executive offices)

92111
(Zip Code)

Registrant's telephone number, including area code: **408-663-5247**

(Former name, former address and former fiscal year, if changed since last report) **N/A**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	KULR	NYSE American LLC

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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 Act). Yes No

As of **November 10, 2023** **May 13, 2024**, there were **127,884,674** **182,677,224** shares outstanding.

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED ~~SEPTEMBER 30, 2023~~ MARCH 31, 2024
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2023	December 31, 2022
	(unaudited)	
Assets		
Current Assets:		
Cash	\$ 1,167,315	\$ 10,333,563
Accounts receivable	1,296,811	1,542,118
Inventory	1,551,399	1,962,035
Inventory deposits	91,033	285,260
Prepaid expenses and other current assets	945,303	1,613,008
Total Current Assets	5,051,861	15,735,984
Property and equipment, net	4,909,766	3,193,041
Equipment deposits	1,615,286	3,514,937
Security deposits	10,228	60,441
Intangible assets, net	754,968	720,768
Right of use asset, net	193,210	328,941
Deferred financing costs	71,818	71,818
Total Assets	<u><u>\$ 12,607,137</u></u>	<u><u>\$ 23,625,930</u></u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 1,813,191	\$ 1,408,017

Accrued expenses and other current liabilities	3,018,326	2,142,277
Accrued issuable equity	98,540	227,956
Lease liability, current portion	172,569	223,645
Prepaid advance liability, net of discount, current portion	5,910,405	5,655,612
Deferred revenue	393,934	23,000
Total Current Liabilities	11,406,965	9,680,507
Lease liability, non-current portion	—	97,958
Prepaid advance liability, net of discount, non-current portion	—	3,196,678
Accrued interest, non-current	—	157,054
Total Liabilities	11,406,965	13,132,197
Commitments and contingencies (Note 12)		
Stockholders' Equity		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized;		
Series A Preferred Stock, 1,000,000 shares designated; none issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Series B Convertible Preferred Stock, 31,000 shares designated; none issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Series C Preferred Stock, 400 shares designated; none issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Series D Preferred Stock, 650 shares designated; none issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized; 127,697,113 shares issued and 127,565,951 shares outstanding at September 30, 2023; 113,202,749 shares issued and 113,071,587 shares outstanding at December 31, 2022	12,770	11,320
Additional paid-in capital	62,577,789	53,372,673
Treasury stock, at cost; 131,162 shares held at September 30, 2023 and December 31, 2022	(296,222)	(296,222)
Accumulated deficit	(61,094,165)	(42,594,038)
Total Stockholders' Equity	1,200,172	10,493,733
Total Liabilities and Stockholders' Equity	\$ 12,607,137	\$ 23,625,930
	March 31, 2024	December 31, 2023
	(unaudited)	
Assets		
Current Assets:		
Cash	\$ 798,843	\$ 1,194,764
Accounts receivable	983,310	901,672
Inventory	1,052,424	1,149,047
Inventory deposits	27,500	27,500
Prepaid expenses and other current assets	506,532	631,361
Total Current Assets	3,368,609	3,904,344
Property and equipment, net	4,178,059	4,698,144
Equipment deposits	1,332,436	1,332,436
Security deposits	98,371	10,228
Intangible assets, net	683,821	719,395
Right-of-use asset, net	1,590,004	129,202
Deferred financing costs, net	52,792	70,607
Total Assets	\$ 11,304,092	\$ 10,864,356
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Accounts payable	\$ 2,376,742	\$ 2,769,544
Accrued expenses and other current liabilities	3,423,925	3,463,344
Accrued issuable equity	52,007	13,002
Lease liabilities, current portion	435,707	102,186

Notes payable, net of discount, current portion	744,024	—
Deferred revenue	243,830	551,021
Total Current Liabilities	7,276,235	6,899,097
Notes payable, non-current portion	250,000	250,000
Lease liabilities, non-current portion	1,188,259	—
Prepaid advance liability, net of discount, non-current portion	—	5,892,056
Accrued interest, non-current portion	—	5,899
Total Liabilities	8,714,494	13,047,052
Commitments and contingencies (Note 16)		
Stockholders' Equity (Deficit)		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized		
Series A Preferred Stock, 1,000,000 shares designated; 730,000 and 0 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	73	—
Series B Convertible Preferred Stock, 31,000 shares designated; none issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Series C Preferred Stock, 400 shares designated; none issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Series D Preferred Stock, 650 shares designated; none issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized; 173,310,469 and 173,179,307 shares issued and outstanding at March 31, 2024, respectively; 134,031,669 and 133,900,507 shares issued and outstanding at December 31, 2023, respectively	17,331	13,403
Additional paid-in capital	74,164,886	64,387,717
Treasury stock, at cost; 131,162 shares held at March 31, 2024 and December 31, 2023	(296,222)	(296,222)
Accumulated deficit	(71,296,470)	(66,287,594)
Total Stockholders' Equity (Deficit)	2,589,598	(2,182,696)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 11,304,092	\$ 10,864,356

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Revenue	\$ 3,041,007	\$ 1,393,185	\$ 7,496,315	\$ 2,181,230	\$ 1,749,104	\$ 1,759,802
Cost of revenue	1,703,553	932,364	4,513,285	1,478,954	1,238,315	1,116,414
Gross Profit	1,337,454	460,821	2,983,030	702,276	510,789	643,388
Operating Expenses						
Research and development	1,640,959	1,069,852	4,873,841	2,790,683	954,625	1,805,015
Selling, general, and administrative	4,793,523	4,349,373	15,546,915	12,210,458	4,212,898	5,099,091

Total Operating Expenses	6,434,482	5,419,225	20,420,756	15,001,141	5,167,523	6,904,106
Loss From Operations	(5,097,028)	(4,958,404)	(17,437,726)	(14,298,865)	(4,656,734)	(6,260,718)
Other (Expense) Income						
Interest expense	(187,574)	(633,342)	(544,615)	(676,622)	(132,702)	(159,931)
Gain on forgiveness of PPP loan and interest	—	158,675	—	158,675	—	—
Amortization of debt discount	(234,899)	(172,407)	(695,773)	(275,626)	(175,080)	(246,320)
Loss on debt extinguishment	—	(8,508)	—	(8,508)	(31,358)	—
Change in fair value of accrued issuable equity	(42,773)	27,401	177,987	123,121	(13,002)	64,108
Total Other Expense, net	(465,246)	(628,181)	(1,062,401)	(678,960)	(352,142)	(342,143)
Net Loss	\$ (5,562,274)	\$ (5,586,585)	\$ (18,500,127)	\$ (14,977,825)	\$ (5,008,876)	\$ (6,602,861)
Net Loss Per Share						
- Basic and Diluted	\$ (0.05)	\$ (0.05)	\$ (0.16)	\$ (0.14)	\$ (0.04)	\$ (0.06)
Weighted Average Number of Common Shares Outstanding						
- Basic and Diluted	117,144,452	105,572,820	115,149,761	104,223,378	142,361,999	112,877,236

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 (DEFICIT)
(b unaudited)

	FOR THE THREE MONTHS ENDED MARCH 31, 2024										Series A Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock
	Common Stock		Additional Paid-In Capital		Treasury Stock		Accumulated Deficit		Stockholders' Equity		Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock
	Shares	Amount	Capital	Shares	Amount	Deficit	Equity	Preferred Stock	Common Stock					
Balance - January 1, 2023	113,202,749	\$11,320	\$53,372,673	131,162	\$ (296,222)	\$ (42,594,038)	\$ 10,493,733							
Common stock issued for the repayment of prepaid advance liability and related interest accrual	3,153,036	315	3,750,653	—	—	—	3,750,968							
Shares repurchased for payroll taxes and canceled	(175,000)	(17)	(229,232)	—	—	—	(229,249)							
Balance - January 1, 2024														
Preferred stock issued for no consideration								730,000	73	—	—	(73)	—	

Common stock issued for the repayment of prepaid advance liability and related interest accrual pursuant to Advance Notices (1)	—	—	21,798,830	2,180	6,052,650	—
Common stock issued for cash pursuant to Advance Notices (2)	—	—	19,228,351	1,923	2,904,490	—
Stock-based compensation:						
Restricted stock awards granted	1,848,508	185	(185)	—	—	—
Unvested restricted stock awards canceled	(75,000)	(8)	8	—	—	—
Restricted stock awards exchanged for restricted stock units	—	—	—	—	(2,168,508)	(217)
Restricted stock units vested	—	—	—	—	384,627	38
Common stock issued for services	5,500	1	6,819	—	—	6,820
Amortization of restricted common stock	—	—	765,100	—	—	765,100
Amortization of stock options	—	—	40,605	—	—	40,605
Net loss	—	—	—	—	(6,602,861)	(6,602,861)
Balance - March 31, 2023	117,959,793	11,796	57,706,441	131,162	(296,222)	49,196,899
Common stock issued for the repayment of prepaid advance liability and related interest accrual	925,935	93	715,565	—	—	715,658
Stock-based compensation:						
Amortization of restricted common stock	—	—	823,540	—	—	823,540
Amortization of stock options	—	—	44,311	—	—	44,311
Net loss	—	—	—	—	(6,334,992)	(6,334,992)
Balance - June 30, 2023	118,885,728	11,889	59,289,857	131,162	(296,222)	(55,531,891)
Common stock issued pursuant to the equity financing:	—	—	—	—	—	3,473,633
For cash, net of issuance costs (1)	8,214,285	821	2,285,949	—	—	2,286,770
Stock-based compensation:						
Restricted stock awards granted	370,000	37	(37)	—	—	—
Common stock issued for services	227,100	23	137,637	—	—	137,660
Amortization of restricted common stock	—	—	808,316	—	—	808,316
Amortization of stock options	—	—	56,067	—	—	56,067
Net loss	—	—	—	—	(5,562,274)	(5,562,274)
Balance - September 30, 2023	127,697,113	\$12,770	\$62,577,789	131,162	\$ (296,222)	\$ (61,094,165)
Balance - March 31, 2024					730,000	\$ 73
						173,310,469
						\$17,331
						\$74,164,886
						131,162

(1) Equity financing gross proceeds of **\$2,875,000** less issuance costs of **\$588,230**. **\$13,577**.

(2) Equity financing gross proceeds of **\$2,910,651** less issuance costs of **\$4,238**.

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 (DEFICIT)
(unaudited)

	Additional						Accumulated Deficit	Total Stockholders' Equity		
	Common Stock		Paid-In Capital	Treasury Stock						
	Shares	Amount	Shares	Amount						
Balance - January 1, 2022	104,792,072	\$ 10,479	\$ 39,512,122				\$ (23,157,559)	\$ 16,365,042		
Treasury stock held upon the vesting of restricted common stock	—	—	—	194,704	(439,728)	—	—	(439,728)		
Common stock issued upon the exercise of warrants	70,143	7	87,672	—	—	—	—	87,679		
Common stock issued upon the exercise of options	2,500	—	5,075	—	—	—	—	5,075		
Stock-based compensation:										
Common stock issued for services	6,000	1	43,159	—	—	—	—	43,160		
Amortization of restricted common stock	—	—	519,231	—	—	—	—	519,231		
Amortization of stock options	—	—	15,883	—	—	—	—	15,883		
Amortization of market-based awards	—	—	730,048	—	—	—	—	730,048		
Net loss	—	—	—	—	—	(4,136,555)	—	(4,136,555)		
Balance - March 31, 2022	104,870,715	10,487	\$ 40,913,190	194,704	(439,728)	\$ (27,294,114)	\$ 13,189,835			
Treasury stock issued upon the exercise of options	—	—	(46,305)	(33,000)	74,529	—	—	28,224		
Common stock issued upon the exercise of warrants	2,346,525	234	2,932,922	—	—	—	—	2,933,156		
Stock-based compensation:										
Common stock issued for services	6,000	1	10,260	—	—	—	—	10,261		
Amortization of restricted common stock	—	—	422,128	—	—	—	—	422,128		
Amortization of stock options	—	—	26,535	—	—	—	—	26,535		
Amortization of market-based awards	—	—	565,421	—	—	—	—	565,421		
Net loss	—	—	—	—	—	(5,254,685)	—	(5,254,685)		
Balance - June 30, 2022	107,223,240	10,722	\$ 44,824,151	161,704	(365,199)	\$ (32,548,799)	\$ 11,920,875			
Treasury stock issued upon the exercise of options	—	—	—	(30,542)	68,977	(48,819)	—	20,158		
Common stock issued pursuant to the SEPA agreement:										
For cash, net of issuance costs (1)	160,782	16	247,855	—	—	—	—	247,871		
In satisfaction of notes payable	94,458	9	149,991	—	—	—	—	150,000		
For the repayment of prepaid advances	221,605	22	274,635	—	—	—	—	274,658		
Stock-based compensation:										
Amortization of restricted common stock	—	—	403,812	—	—	—	—	403,812		
Amortization of stock options	—	—	23,959	—	—	—	—	23,959		
Amortization of market-based awards	—	—	477,700	—	—	—	—	477,700		
Net loss	—	—	—	—	—	(5,586,585)	—	(5,586,585)		
Balance - September 30, 2022	107,700,085	\$ 10,770	\$ 46,402,103	131,162	\$ (296,222)	\$ (38,184,203)	\$ 7,932,448			

(i) Represents gross proceeds of \$250,000 less \$2,129 for amortization of issuance costs.

	FOR THE THREE MONTHS ENDED MARCH 31, 2023						
	Common Stock		Additional		Treasury Stock		Total
	Shares	Amount	Capital	Shares	Amount	Accumulated Deficit	Stockholders' Equity
Balance - January 1, 2023	113,202,749	\$ 11,320	\$ 53,372,673	131,162	\$ (296,222)	\$ (42,594,038)	\$ 10,493,733
Common stock issued for the repayment of prepaid advance liability and related interest accrual pursuant to Investor Notices	3,153,036	315	3,750,653	—	—	—	3,750,968
Shares repurchased for payroll taxes and canceled	(175,000)	(17)	(229,232)	—	—	—	(229,249)
Stock-based compensation:							
Restricted stock awards granted	1,848,508	185	(185)	—	—	—	—
Unvested restricted stock awards canceled	(75,000)	(8)	8	—	—	—	—
Common stock issued for services	5,500	1	6,819	—	—	—	6,820
Amortization of restricted common stock	—	—	765,100	—	—	—	765,100
Amortization of stock options	—	—	40,605	—	—	—	40,605
Net loss	—	—	—	—	—	(6,602,861)	(6,602,861)
Balance - March 31, 2023	117,959,793	\$ 11,796	\$ 57,706,441	131,162	\$ (296,222)	\$ (49,196,899)	\$ 8,225,116

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(b unaudited)

	For the Nine Months Ended		For the Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
Cash Flows From Operating Activities:				
Net loss	\$ (18,500,127)	\$ (14,977,825)	\$ (5,008,876)	\$ (6,602,861)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of debt discount	695,773	275,626	175,080	246,320
Non-cash lease expense	186,885	143,861	115,117	61,467
Loss on debt extinguishment	—	8,508	31,358	—
Depreciation and amortization expense	1,532,796	140,829	672,867	250,189
Gain on forgiveness of PPP loan and interest	—	(158,675)	—	—
Change in fair value of accrued issuable equity	(177,987)	(123,121)	13,002	(64,108)
Non-cash interest expense	—	576,932	—	—
Stock-based compensation	2,730,989	3,208,778	845,930	920,155
Changes in operating assets and liabilities:				
Accounts receivable	245,307	(1,208,646)	(81,638)	(112,582)
Inventory	410,636	(150,863)	96,623	292,401
Inventory deposits	194,227	(721,462)	—	20,876
Prepaid expenses and other current assets	667,705	(741,937)	124,829	474,677
Security deposits	50,213	—	(88,143)	(5,095)

Accounts payable	(103,457)	377,987	(425,563)	(715,200)
Accrued expenses and other current liabilities	1,003,244	248,301	(16,662)	559,944
Lease liability	(200,188)	(151,997)	(54,139)	(63,363)
Deferred revenue	370,934	(112,303)	(307,191)	(21,859)
Total Adjustments	7,607,077	1,611,818	1,101,470	1,843,822
Net Cash Used In Operating Activities	(10,893,050)	(13,366,007)	(3,907,406)	(4,759,039)
Cash Flows From Investing Activities:				
Deposits for purchase of property and equipment	(621,107)	(2,198,626)		
Purchases of property and equipment	(237,592)	(573,942)	(13,400)	(298,490)
Acquisition of intangible assets	(135,000)	—	—	(60,000)
Net Cash Used In Investing Activities	(993,699)	(2,772,568)	(13,400)	(358,490)
Cash Flows from Financing Activities:				
Proceeds from equity financing	2,875,000	—		
Issuance costs on equity financing	(320,250)	—		
Proceeds from the SEPA	—	247,871	2,910,651	—
Proceeds from prepaid advance liability	2,000,000	10,573,068	—	2,000,000
Issuance costs on prepaid advance liability	(30,000)	(85,000)	—	(30,000)
Repayments of prepaid advance liability	(1,575,000)	—		
Proceeds from notes payable (1)	—	4,750,000		
Net proceeds from notes payable (1)			1,080,000	—
Issuance costs on notes payable	—	(17,200)	(116,100)	—
Repayments of note payable	—	(1,000,000)		
Payment of financing costs incurred in connection with the SEPA	—	(72,800)		
Payment of financing costs incurred in connection with notes payable	—	2,129		
Repurchase of common stock	(229,249)	—		
Proceeds from the exercise of options	—	25,233		
Proceeds from the exercise of warrants	—	3,020,836		
Repayments of notes payable			(349,666)	—
Net Cash Provided By Financing Activities	2,720,501	17,444,137	3,524,885	1,970,000
Net (Decrease) Increase In Cash	(9,166,248)	1,305,562		
Net Decrease In Cash				
Cash - Beginning of Period	10,333,563	14,863,301	1,194,764	10,333,563
Cash - End of Period	\$ 1,167,315	\$ 16,168,863	\$ 798,843	\$ 7,186,034

(1) Face value of \$5,000,000, \$1,609,200, less \$250,000 \$529,200 original issue discount.

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
(unaudited)

For the Nine Months Ended September 30,	For the Three Months Ended March 31,
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	2023	2022	2024	2023
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the period for:				
Interest	\$ 264,731	\$ 676,281	\$ 314,731	\$ —
Taxes	\$ —	\$ —	\$ —	\$ —
Non-cash investing and financing activities:				
Right of use asset for lease liability	\$ 51,154	\$ 143,640		
Common stock held in treasury upon the vesting of restricted common stock	\$ —	\$ (439,728)		
Treasury stock issued upon the exercise of stock options	\$ —	\$ 143,506		
Original issue discount on prepaid advance liability	\$ 105,263	\$ —		
Common stock issued in satisfaction of prepaid advance liability and interest	\$ 4,466,626	\$ —		
Prepaid advance for repayment of note payable	\$ —	\$ 3,850,000		
Shares issued in satisfaction of note payable	\$ —	\$ 150,000		
Shares issued in satisfaction of prepaid advance liability and accrued interest	\$ —	\$ 274,658		
Right-of-use asset for lease liability			\$ 1,575,919	\$ 51,154
Shares repurchased for payroll taxes (not paid as of period-end) and canceled			\$ —	\$ 229,249
Restricted stock awards converted to restricted stock units			\$ 217	\$ —
Restricted stock units vested			\$ 38	\$ —
Original issue discount on indebtedness			\$ 529,200	\$ 105,263
Common stock issued pursuant to Investor Notices in satisfaction of prepaid advance liability and interest			\$ —	\$ 3,750,968
Common stock issued pursuant to Advance Notices in satisfaction of prepaid advance liability and interest			\$ 6,054,830	\$ —
Deposits applied to purchases of property and equipment	\$ 2,716,057	\$ —	\$ —	\$ 2,276,451
Additions to property and equipment included in accounts payable	\$ 195,072	\$ 125,451	\$ 32,765	\$ 202,554
Equipment deposits included in accounts payable	\$ 195,299	\$ —		
Common stock issued in satisfaction of accrued issuable equity	\$ 96,560	\$ —		
Accrual of equity financing issuance costs	\$ 267,980	\$ —		
Additions to property and equipment included in accrued purchases			\$ 71,043	\$ —
Deferred financing costs charged to additional paid-in capital			\$ 17,815	\$ —
Accrued underwriting fees for notes payable			\$ 18,916	\$ —

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(b) (unaudited)

NOTE 1 ORGANIZATION, NATURE OF OPERATIONS AND RISKS AND UNCERTAINTIES BASIS OF PRESENTATION

Organization and Operations

KULR Technology Group, Inc., through its wholly-owned subsidiary, KULR Technology Corporation (collectively referred to as "KULR" or the "Company"), develops and commercializes high-performance thermal management technologies for electronics, batteries, and other components

across a range of applications. Currently, the Company is focused on targeting both high performance aerospace and United States Department of Defense ("DOD") applications, such as space exploration, satellite communications, and underwater vehicles, and applying them to mass market commercial applications, such as lithium-ion battery energy storage, electric vehicles, 5G fifth generation ("5G") communication, cloud computer infrastructure, consumer and industrial devices.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of September 30, 2023 March 31, 2024, and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022.2023. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024, are not necessarily indicative of the operating results for the full year ending December 31, 2023 December 31, 2024 or any other period. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and related disclosures as of December 31, 2022 December 31, 2023 and for the year then ended, which were filed with the Securities and Exchange Commission ("SEC") on Form 10-K on March 28, 2023 April 12, 2024. The accompanying condensed consolidated balance sheet as of December 31, 2022 December 31, 2023, has been derived from the audited financial statements included in the Form 10-K.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Since the date of the Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, there have been no material changes to the Company's significant accounting policies, except as disclosed in this note.

Going Concern and Management's Liquidity Plans

As of September 30, 2023 March 31, 2024, the Company had cash of \$1,167,315 \$798,843 and a working capital deficit of \$6,355,104, which includes the prepaid advance liability of \$5,910,405 (see Note 9 – Prepaid Advance Liability) \$3,907,626. For the nine three months ended September 30, 2023 March 31, 2024, the Company incurred a net loss of \$18,500,127 \$5,008,876 and used cash in operations operating activities of \$10,893,050. \$3,907,406.

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

Future cash requirements for our current liabilities include \$5,800,667 for accounts payable and accrued expenses, \$1,259,534 for merchant cash advances (see Note 9 – Notes Payable), \$981,371 for capital expenditures and \$435,707 for future payments under operating leases. Future cash requirements for long-term liabilities include \$250,000 for unsecured promissory notes.

On December 20, 2023, the Company received a notice of noncompliance from NYSE Regulation ("NYSE") stating it is not in compliance with Section 1003(a) (iii) in the NYSE American Company Guide (the "Company Guide") since the Company reported stockholders' equity of \$1,200,172 at September 30, 2023, and losses from continuing operations and/or net losses in its five most recent fiscal years. On February 12, 2024, the Company received a second notice letter from NYSE stating it is not in compliance with Section 1003 (f) (v) of the Company guide since the Company's securities were trading at an average of less than \$0.20 per share for 30 days.

(unaudited)

Future cash requirements for our current liabilities include \$4,831,517 for accounts payable and accrued expenses and \$172,569 for future payments under operating leases. Further, pursuant to an amended agreement with Yorkville executed on November 7, 2023 (see Note 14 – Subsequent Events - Prepaid Advance Liability for further details) On March 5, 2024, the Company is required received a notification from the NYSE that the Company's plan to repay the Prepaid Advance balance as follows: \$1,500,000 on or before December 31, 2023 plus accrued interest as well as a 5% cash payment premium; \$2,000,000 plus accrued interest as well as a 5% cash payment premium on or before January 31, 2024; and the remaining principal amount regain compliance with Section 1003 (a) (iii) of the Advance Company Guide was accepted and so long as the Company meets its interim objectives, the Company will have until June 20, 2025, to regain compliance with the minimum stockholders' equity requirement. On May 1, 2024, the Company received a notification from the NYSE stating that the Company had regained compliance with Section 1003 (f) (v) of \$2,471,238 plus accrued interest as well as a 5% cash payment premium on or before March 1, 2024. the Company Guide given the increase in the trading price of the Company's securities.

The Company has also committed to spend \$809,379 related to capital expenditures for automation equipment, and \$500,000 in connection with an asset purchase agreement (see Note 14 – Subsequent Events – Common Stock). These factors above raise substantial doubt about the Company's ability to meet its obligations as they become due within the twelve months from the date these condensed consolidated financial statements are issued.

Management's plans to mitigate the factors which raise substantial doubt include (i) revenue growth, (ii) reducing operating expenses through careful cost management, and (iii) raising additional funds through future financings, and (iv) negotiating an extension and/or conversion to equity of the Company's prepaid advance liability (see Note 9 – Prepaid Advance Liability). financings.

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

On September 15, 2023 April 2, 2024, the Company completed received cash proceeds of \$440,000 related to an unsecured Promissory Note comprised of an initial principal amount of \$500,000 and discount of \$60,000, for cash proceeds of \$440,000. The Promissory Note carries an annual interest rate of 0% and increases to 15% in the event of default and shall be repaid in cash representing all outstanding principal and accrued and unpaid interest due on October 2, 2024, as defined by the terms of the agreement. See Note 12 – Subsequent Events – Promissory Notes for additional information.

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

Subsequent to March 31, 2024, and through May 13, 2024, the Company issued a public offering total of 8,214,285 9,453,767 shares of common stock at \$0.35 per share, with gross pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$2,875,000 less issuance costs of \$588,230, \$4,321,479. See Note 12 – Subsequent Events – Standby Equity Purchase Agreement for net proceeds of \$2,286,770. On September 18, 2023, the Company repaid an aggregate amount of \$1,839,731, consisting of a principal amount of \$1,500,000, accrued interest in the amount of \$264,731 and a payment premium in the amount of \$75,000 to Yorkville against its outstanding Prepaid Advances. additional information.

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

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

Use of Estimates

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

conditions. It is possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates.

Concentrations of Credit Risk

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

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Cash Concentrations

A significant portion of the Company's cash is held at one major financial institution. The Company has not experienced any losses in such accounts. Cash held in US bank institutions is currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. There were uninsured balances of \$667,315 \$298,843 and \$9,833,451 \$694,763 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Customer and Revenue Concentrations

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

	Revenue				Accounts Receivable				Revenue		Accounts Receivable	
	For the Three Months Ended		For the Nine Months Ended		As of		As of		For the Three Months Ended		As of	
	September 30,		September 30,		September 30,		December 31,		March 31,		March 31, December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023
Customer A	15 %	*	10 %	*	*	*	*	*	35 %	*	16 %	*
Customer B	*	*	*	*	*	*	34 %		13 %	*	23 %	52 %
Customer C	14 %	*	*	*	17 %	*			*	86 %	*	*
Customer D	*	24 %	*	23 %	*	*			*	*	15 %	*
Customer E	56 %	*	59 %	*	47 %	*			*	*	13 %	*
Customer F	*	67 %	*	58 %	*	61 %			*	*	12 %	*
Customer G									*	*	*	20 %
Customer H									*	*	*	14 %
Total	85 %	91 %	69 %	81 %	64 %	95 %			48 %	86 %	79 %	86 %

* Less than 10%

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

Vendor Concentrations

Vendors representing The Company had vendors whose purchases of inventory individually represented 10% or more of the Company's total purchases for the three and nine months ended September 30, 2023 and 2022, are of inventory, as follows:

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Vendor A	25 %	65 %	11 %	83 %	14 %	*
Vendor B	*	*	11 %	*	*	12 %
	<u>25 %</u>	<u>65 %</u>	<u>22 %</u>	<u>83 %</u>	<u>14 %</u>	<u>12 %</u>

* Less than 10%

Accounts Receivable

Accounts receivable are carried at their contractual amounts, less an estimate for credit losses. As of March 31, 2024 and December 31, 2023, no allowances for credit losses were determined to be necessary. Management estimates the allowance for credit losses based on

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

existing economic conditions, the financial conditions of the customers, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for bad debts only after all collection attempts have been exhausted.

Inventory

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

Inventory is comprised of carbon fiber velvet ("CFV") thermal interface solutions and internal short circuit batteries, which are available for sale, as well as raw materials and work in process related primarily to the manufacture of safe cases. Safe cases provide a safe and cost-effective solution to commercially store and transport lithium batteries and mitigate the impacts of cell-to-cell thermal runaway propagation. Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. The cost of inventory that is sold to third parties is included within cost of sales and the cost of inventory that is given as samples is included within operating expenses. The Company periodically reviews for slow-moving, excess or obsolete inventories. Products that are determined to be obsolete, if any, are written down to net realizable value. On occasion, the Company pays for inventory prior to receiving the goods. These payments are recorded as inventory deposits until the goods are received and these costs are included in the current asset section of the consolidated balance sheet. As of March 31, 2024 and December 31, 2023, inventory deposits were \$27,500. Finished goods inventory is held on-site at the Company's San Diego, California location and Webster, Texas locations. Certain raw materials are held off-site with our certain contract manufacturers.

Inventory at September 30, 2023 March 31, 2024 and December 31, 2022 consisted December 31, 2023 was comprised of the following:

	September 30,		December 31,		March 31,	December 31,
	2023	2022	2022	2023	2024	2023
Raw materials	\$ 261,956	\$ 1,075,310	\$ 311,091	\$ 322,111		
Work-in-process	—	2,977				
Finished goods	1,289,443	883,748	741,333	826,936		
Total inventory	<u>\$ 1,551,399</u>	<u>\$ 1,962,035</u>	<u>\$ 1,052,424</u>	<u>\$ 1,149,047</u>		

Revenue Recognition

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

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

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

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

- Product sales – Revenue is recognized at the point in time the customer obtains control of the goods and the Company satisfies its performance obligation, which is generally at the time it ships the product to the customer.

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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

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

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

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

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,	2023	September 30,	2023	March 31,	2024
Revenue Recognized at a Point in Time:						
Product sales	\$ 1,896,470	\$ 1,369,857	\$ 5,483,098	\$ 2,100,120	\$ 615,093	\$ 1,629,258
Contract services	1,144,537	23,328	2,013,217	81,110	516,471	130,544
Total revenue	\$ 3,041,007	\$ 1,393,185	\$ 7,496,315	\$ 2,181,230		
Total					1,131,564	1,759,802
Revenue Recognized Over Time:						
Contract services					617,540	—
Total Revenue					\$1,749,104	\$1,759,802

The contract liabilities included in deferred revenue represent payments received from customers for which the Company had not yet satisfied its performance obligation under the contract, or the customers have not officially accepted the goods or services provided under the contract. The

Company expects to satisfy the remaining performance obligations and recognize the revenue related to its deferred revenue balance within the next twelve months. During the three and nine months ended September 30, 2023 and 2022, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

As of September 30, 2023 and December 31, 2022, the Company had \$43,413 and \$34,402 of deferred labor and other costs, respectively, which is included in prepaid expenses and other current assets in the Company's unaudited condensed consolidated balance sheets. Deferred labor and other costs represent costs to fulfill the Company's contract revenue. The Company will recognize the deferred labor and other costs as cost of revenue at the point in time that the Company recognizes the related revenue, which is generally at the time the services are provided and/or the product/service is accepted by the customer.

Net Loss Per Common Share

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

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

Numerator:	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Net loss attributable to common stockholders	\$ (5,562,274)	\$ (5,586,585)	\$ (18,500,127)	\$ (14,977,825)		
Net loss					\$ (5,008,876)	\$ (6,602,861)
Denominator (weighted average quantities):						
Common shares issued	120,704,579	107,402,727	118,146,547	106,271,765	143,496,225	115,055,115
Less: Treasury shares purchased	(131,162)	(131,494)	(131,162)	(122,944)	(131,162)	(131,162)
Less: Unvested restricted shares	(3,433,400)	(1,948,370)	(2,952,892)	(2,106,923)	(1,071,495)	(2,170,717)
Add: Accrued issuable equity	4,435	249,957	87,268	181,480	68,431	124,000
Denominator for basic and diluted net loss per share	117,144,452	105,572,820	115,149,761	104,223,378	142,361,999	112,877,236
Basic and diluted net loss per common share	\$ (0.05)	\$ (0.05)	\$ (0.16)	\$ (0.14)	\$ (0.04)	\$ (0.06)

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

	September 30,	
	2023	2022
Prepaid advance (1)	20,866,741	—
Unvested restricted stock awards	3,471,008	1,897,500
Unvested market-based equity awards	—	3,000,000
Restricted stock units	3,000,000	—
Options	955,216	510,216

Warrants	2,524,410	2,524,410
Total	30,817,375	7,932,126

(1) Shares to be issued if the Company defaults on any of its cash payment obligations. The shares are estimated using \$0.29 per share, which is the effective floor price as of September 30, 2023 pursuant to the amendment to the letter agreement to the SEPA (see Note 9 – Prepaid Advance Liability).

	March 31,	
	2024	2023
Unvested restricted stock awards	712,500	3,276,008
Restricted stock units	4,268,881	3,000,000
Options	670,216	765,216
Warrants	2,524,410	2,524,410
Total	8,176,007	9,565,634

Operating Leases

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

Reclassifications

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

Subsequent Events

The Company has evaluated subsequent events through the date on which these unaudited condensed consolidated financial statements were issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed in Note 12 – Subsequent Events.

Recently Issued Accounting Pronouncements

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

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in ASU 2023 – 09 are effective for annual periods beginning after December 15, 2024, with early adoption permitted. Since this new ASU addresses only disclosures, the Company

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

does not expect the adoption to have any material effects on its financial condition, results of operation or cash flows. The Company is currently evaluating any new disclosures that may be required upon adoption of ASU 2023-09.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity; Own Equity ("ASU 2020-06"), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Among other changes, the new guidance removes from GAAP separation models for convertible debt that require the convertible debt to be separated into a debt and equity component, unless the conversion feature is required to be bifurcated and accounted for as a derivative or the debt is issued at a substantial premium. As a result, after adopting the guidance, entities will no longer separately present such embedded conversion features in equity and will instead account for the convertible debt wholly as debt. The new guidance also requires use of the "if-converted" method when calculating the dilutive impact of convertible debt on earnings per share, which is consistent with the Company's current accounting treatment under the current guidance. The guidance is effective for the Company in financial statements issued for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year. **Management does not expect the adoption of this pronouncement will have a material effect on the Company's financial statements.**

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Since June 2016, the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU on **January 1, 2023** **January 1, 2024**, using and the modified retrospective approach and it adoption did not have a material impact on its condensed consolidated financial statements.

NOTE 3 ASSET ACQUISITION

On May 4, 2023 (the "Asset Purchase Date"), the Company entered into an agreement (the "Asset Purchase Agreement") with a seller (the "Seller"), pursuant to which the Company purchased all of the assets, primarily intellectual property, of the Seller (the "Acquired Assets") for consideration of \$75,000 (the "Total Consideration"), which was paid in cash on May 11, 2023. In addition, the seller has been employed by the Company.

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

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

NOTE 4 INVENTORY DEPOSITS

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

As of September 30, 2023 and December 31, 2022, the Company had outstanding inventory deposits of \$91,033 and \$285,260, respectively.

NOTE 53 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, prepaid expenses and other current assets consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	\$ 500,000	\$ 375,000	\$ 250,000	\$ 375,000
Compensation costs				
Deferred expenses			132,846	59,089
Security deposits			5,095	55,308
Professional fees			33,752	24,125
Insurance			32,584	32,606
Dues and subscriptions	105,935	75,889	16,572	50,689
Marketing and sponsorships	95,698	574,636		
Security Deposits (Note 10)	50,213	—		
Deferred expenses	43,413	34,402		
Vendor receivables			8,794	1,995
Conferences and seminars	42,878	—	335	19,338
Insurance	38,467	12,776		
Professional fees	28,250	25,787		
Vendor receivables	1,995	368,069		
Research and development	—	62,329		
Investor relationships			—	1,512
Other	38,454	84,120	26,554	11,699
Total prepaid expenses and other current assets	\$ 945,303	\$ 1,613,008	\$ 506,532	\$ 631,361

Prepaid marketing and sponsorship costs as of December 31, 2022, primarily consist of two sponsorship agreements with a marketing partner whereby the Company is required to make upfront payments which were amortized over the respective service periods of the agreements. As of September 30, 2023, the sponsorship costs were fully amortized.

NOTE 6 EQUIPMENT DEPOSITS

The Company entered into agreements with third party contractors for facility improvements, the design and construction of a battery packaging and inspection automation system, and automated robotic tending system.

As of September 30, 2023 and December 31, 2022, the Company had outstanding deposits of \$1,615,286 and \$3,514,937, respectively, in connection with these agreements. The decrease is due to equipment being transferred to property and equipment upon completion by third party contractors.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Professional fees	\$ 1,645,354	\$ 1,180,000	\$2,003,611	\$1,875,000
Payroll and vacation	498,581	464,453	454,599	504,748
Research and development	456,192	196,409	441,192	441,192
Refund due to customer			—	171,960
Inventory purchases			217,694	145,949
Legal fees	130,532	2,000	74,638	117,640
Inventory	111,863	58,804		
Tools and supplies			13,455	28,663
Board compensation	61,250	122,500	47,500	23,750
Marketing and advertising fees	—	3,999		
Subscriptions	—	65,000		
Royalties			9,706	17,505
Other	114,554	49,112	161,530	136,937
Total accrued expenses and other current liabilities	3,018,326	2,142,277	3,423,925	3,463,344
Add: Accrued interest, non-current	—	157,054	—	5,899
Total accrued expenses and other current liabilities	\$ 3,018,326	\$ 2,299,331		
Total accrued expenses and other liabilities			\$3,423,925	\$3,469,243

NOTE 85 – ACCRUED ISSUABLE EQUITY

A summary of the accrued issuable equity activity during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** is presented below:

	For the Nine Months Ended September 30, 2023	For the Three Months Ended March 31, 2024
Beginning Balance	\$ 227,956	
Beginning balance at January 1, 2024		\$ 13,002
Additions	145,130	26,003
Deductions	(96,559)	
Mark-to market	(177,987)	
Ending Balance	\$ 98,540	
Mark-to-market		13,002
Fair value at March 31, 2024		\$ 52,007

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the Company entered into and settled certain contractual arrangements for services in exchange for a fixed number of shares of common stock of the Company. On the respective dates the contracts were entered into, the estimated fair value of the shares to be issued was an aggregate of **\$145,130** based on the quoted market prices of the shares. In addition, the Company settled certain of its accrued issuable equity obligations through the issuance of an aggregate of **136,000** shares with an aggregate fair value of **\$96,559**, remeasured at the date of settlement **\$26,003** based on the quoted market prices of the shares.

The During the three months ended March 31, 2024 and 2023, the Company recorded gains (losses) gains in the aggregate amount of **\$(42,773)** **\$13,002** and **\$177,987** during the three and nine months ended September 30, 2023, respectively, and recorded gains in the aggregate amount of **\$27,401** and **\$123,121** during the three and nine months ended September 30, 2022, **\$64,108**, respectively, related to changes in the fair value of accrued issuable equity (see Note **1310** – Stockholders' Equity, Stock-Based Compensation for additional details). The fair value of the accrued but unissued shares as of September 30, 2023 March 31, 2024, was **\$98,540**, **\$52,007**, based on Level 1 inputs, which consist of quoted prices for the Company's common stock in active markets.

NOTE 6 – PREPAID ADVANCE LIABILITY

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

	Gross Amount of Prepaid Advance Liability	Less: Debt Discount	Prepaid Advance Liability, net of discount
Balance, January 1, 2024	\$ 5,918,430	\$ (26,374)	\$ 5,892,056
Repayments pursuant to Advance Notices	(5,918,430)	—	(5,918,430)
Amortization of debt discount	—	26,374	26,374
Balance, March 31, 2024	\$ —	\$ —	\$ —

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

During the three months ended March 31, 2024, the Company issued 41,027,181 shares of common stock pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$8,979,058. Of the shares issued pursuant to the SEPA Advance Notices, 21,798,830 shares valued at \$6,068,402 were issued in satisfaction of \$5,918,430 of principal and \$118,614 of accrued interest owed in connection with the Company's prepaid advance liability. The Company recorded \$31,358 in extinguishment loss, and charged \$13,577 of deferred financing costs to additional paid-in capital in connection with the shares issued in satisfaction of the prepaid advance liability. As of March 31, 2024, the Prepaid Advance Liability and the related accrued interest has been repaid in full.

The remaining 19,228,351 shares issued pursuant to the SEPA Advance Notices were issued for cash proceeds of \$2,910,651, which was used to fund the operations of the Company. Deferred financing costs in the amount of \$4,243 were charged to additional paid in capital in connection with the shares issued for cash.

NOTE 7 – LEASES

On January 31, 2024, the initial lease for Webster, Texas dated January 18, 2023, expired. The Company expects to recover the security deposit of \$5,095, which is included in the prepaid expenses and other current assets section of the condensed consolidated balance sheet.

On January 27, 2024, the Company entered into a lease agreement for new office space in Webster, Texas. The initial lease term is 63 months. Monthly rental payments under the new lease are \$30,086, which is comprised of \$21,950 of base rent and \$11,136 of common area maintenance fees. No cash payments are due for the first three months of the lease. The Company determined that the value of the lease liability and related right-of-use asset at inception was \$1,085,497, using an incremental borrowing rate of 10%. The Company paid a security deposit of \$37,930 in connection with the Webster lease agreement which is recorded within the security deposits section of the balance sheet as of March 31, 2024.

The Company also leases office space at 4863 Shawline Street, San Diego, CA 92111, pursuant to an operating lease which expires May 31, 2024 (the "San Diego Lease").

On January 25, 2024, the Company entered into an amendment to the lease dated April 5, 2021, for the facility located at 4863 Shawline Street, San Diego, CA 92111 (the "First Renewal"). Pursuant to the amendment, the lease is extended for a period of eighteen months commencing June 1, 2024, and terminating November 30, 2025. Monthly rental payments under the amendment are \$29,337. The Company determined that the value of the modified lease liability and related right-of-use asset to be \$490,422, using an incremental borrowing rate of 10%.

As of March 31, 2024, the Company does not have any financing leases.

During the three months ended March 31, 2024 and 2023, operating lease expense was \$111,902 and \$65,873, respectively.

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NOTE 9 PREPAID ADVANCE LIABILITY Maturities of lease liabilities as of March 31, 2024, were as follows:

Year	
4/1/24 to 12/31/24	\$ 420,634
2025	601,196
2026	280,228
2027	289,008
2028	297,788
Thereafter	101,702
Total future minimum lease payments	1,990,557
Less: amount representing imputed interest	(366,591)
Present value of lease liabilities	1,623,966
Less: current portion	(435,707)
Lease liabilities, non current portion	\$ 1,188,259

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

	For the Three Months Ended	
	March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating activities	\$ 54,139	\$ 63,363
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	<u>\$ 1,575,919</u>	<u>\$ 51,154</u>

The Company's prepaid advance liability consists of the following: **NOTE 8 – RELATED PARTY TRANSACTIONS**

	Gross Amount of	Original	Less:	Prepaid Advance
	Prepaid Advance	Issue	Debt	Liability,
	Liability	Discount	Discount	Net of Discount
Balance, December 31, 2022	\$ 9,000,000	\$ 473,631	\$ (621,341)	\$ 8,852,290 ⁽¹⁾
Proceeds from prepaid advance	2,000,000	—	—	2,000,000
Original issue discount on prepaid advance	—	105,263	(105,263)	—
Legal fees	—	—	(30,000)	(30,000)
Repayments in cash	(1,500,000)	(75,000)	—	(1,575,000)
Repayments in shares of common stock	(3,850,000)	(182,658)	—	(4,032,658)
Amortization of original issue discount	—	—	—	—
Amortization of debt discount	—	—	695,773	695,773
Outstanding, September 30, 2023	<u>\$ 5,650,000</u>	<u>\$ 321,236</u>	<u>\$ (60,831)</u>	<u>\$ 5,910,405</u>

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

On September 23, 2022 Effective August 26, 2022, the Company entered into a Supplemental Agreement (the "Supplemental Agreement") to its Standby Equity Purchase Agreement (the "SEPA") consulting agreement with Yorkville. Under the Supplemental Agreement, the Company may from time-to-time request advances of up to \$15,000,000 (each, a "Prepaid Advance") from Yorkville with a limitation on the aggregate amount of such advances of \$50,000,000. At any time that there is a balance outstanding under a Prepaid Advance, the Company is not permitted to deliver Advance Notices (as defined in Note 13, Stockholders' Equity) under the SEPA.

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

Pursuant to the terms of the Supplemental Agreement, Yorkville has the right to receive shares to pay down Prepaid Advances, and may select the timing and delivery of such shares (via an "Investor Notice"), in an amount up to the balance of the Prepaid Advance at a price equal to the lower of (a) 135% of the volume weighted average price ("VWAP") of the Company's common stock on the day immediately prior to the closing of the Prepaid Advance, or (b) 95% of the lowest VWAP during the three days immediately prior to the Investor Notice.

Chief Technology Officer (the "Related Consultant"). On March 10, 2023 July 24, 2023, the Company and Yorkville agreed and closed on a second Prepaid Advance (the "Second Advance"). The Company recorded additional prepaid advance liability in the amount of \$2,105,263, which consisted of \$2,000,000 cash proceeds received, plus Related Consultant accepted an original issue discount of \$105,263. Interest accrues on the outstanding balance of each Prepaid Advance at an annual rate of 10%, subject to an increase to 15% upon events of default, as defined.

On August 16, 2023, and as amended on August 23, 2023 and August 30, 2023, employment offer by the Company and Yorkville entered into a letter agreement (the "Letter Agreement"), intended to supplement and modify the Supplemental Agreement to extend the repayment date of the Prepaid Advance balance as follows: (i) an initial payment of \$1,500,000 plus accrued interest as well as a 5% cash payment premium which became effective on or before September 22, 2023 or the date of the closing of any financing conducted by the Company; (ii) \$1,500,000 on or before November 30, 2023 plus accrued interest as well as a 5% cash payment premium; (iii) \$2,000,000 plus accrued interest as well as a 5% cash payment premium on or before December 31, 2023; and (iv) the remaining principal amount of the Advance of \$2,471,238 plus accrued interest as well as a 5% cash payment premium on or before January 31, 2024. In addition, Yorkville shall not submit Investor Notices prior to December 1, 2023. See Note 14 – Subsequent Events – Prepaid Advance Liability for details regarding a new amendment.

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

During the nine months ended September 30, 2023, the Company issued 4,078,971 shares of common stock, at purchase prices per share ranging from \$0.57 to \$1.20, pursuant to Investor Notices submitted by Yorkville for aggregate proceeds of \$4,466,626. The proceeds were applied against the principal and interest due for the Initial Advance in the aggregate amounts of \$4,032,656 and \$433,970, respectively. As of September 30, 2023, the gross principal balance on the Prepaid Advance liability is \$5,971,238, which consists of Initial Advance and Second Advance of \$3,865,975 and \$2,105,263, respectively, including the original issue discount of \$215,975 and \$105,263, respectively.

During the three and nine months ended September 30, 2023, the Company recorded interest expense in the amount of \$184,645 and \$541,686, respectively, and recorded amortization of debt discount in the amount of \$234,899 and \$695,773, respectively, in connection with the Prepaid Advance liability.

NOTE 10 LEASES

On January 18, 2023, the Company entered into a new lease agreement for office space in Webster, Texas. The initial lease term is twelve months and thirteen days. Monthly rental payments under the new lease are \$5,047, which is comprised of \$4,245 of base rent plus \$802 of common area

maintenance fees. The Company determined that the value of the lease liability and the related right-of-use asset at inception was \$51,154, using an estimated incremental borrowing rate of 5%.

The Company also leases office space in San Diego, California pursuant to an operating lease which expires May 31, 2024 August 7, 2023.

During the three and nine months ended September 30, 2023 March 31, 2023, operating lease expense recognized for services provided by the Related Consultant were \$10,455, and is included within selling, general and administrative expenses were \$67,838 and \$199,584, respectively. During on the three and nine months ended September 30, 2022, operating lease expenses were \$57,522 and \$188,854, respectively, unaudited condensed consolidated statements of operations.

As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company did not have any financing leases.

Maturities of lease liabilities as of September 30, 2023 were as follows:

Years	Amount
For the period from October 1, 2023 through December 31, 2023	\$ 72,247
2024	<u>103,432</u>
Total future minimum lease payments	\$ 175,679
Less: amount representing imputed interest	(3,110)
Present value of lease liabilities	\$ 172,569
Less: current portion	<u>(172,569)</u>
Lease liabilities, non current portion	\$ —

The Company paid a security deposit of \$50,213 in connection accounts payable outstanding with the San Diego lease agreement which is recorded within the prepaid expenses and other current assets section of the balance sheet as of September 30, 2023, related parties.

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

	For the Nine Months Ended	
	September 30,	
	2023	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating activities	\$	200,188
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$	51,154
Weighted Average Remaining Lease Term (Years)		
Operating leases		0.64 years
Weighted Average Discount Rate		
Operating leases		5.0 %

NOTE 11 RELATED PARTY TRANSACTIONS

Effective August 26, 2022, the Company entered into an eight-month consulting agreement with the father of the Company's Chief Technology Officer (the "Related Consultant"), which shall automatically renew for an additional four months unless otherwise terminated. During the three and nine months ended September 30, 2023, expense recognized for services provided by the Related Consultant were \$4,845 and \$32,055, respectively, and are included within selling, general and administrative expenses on the unaudited condensed consolidated statements of operations. For the

three and nine months ended September 30, 2022, expenses recognized for services provided by the Related Consultant was \$2,115 and \$2,115. On July 24, 2023, the Related Consultant accepted an employment offer by the Company which became effective on August 7, 2023.

As of September 30, 2023 and December 31, 2022, the Company did not have material accounts payable outstanding with related parties.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Patent License Agreement

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

Appointment of Vice President, Sales

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

Appointment of Chief Financial Officer

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

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NOTE 13 9-NOTES PAYABLE

A summary of the notes payable activity during the three months ended March 31, 2024, is presented below:

	Notes	Debt	
	Payable	Discount	Total
Outstanding, January 1, 2024	\$ —	\$ —	—
Proceeds from merchant cash advances	1,609,200	(529,200)	1,080,000
Issuance costs paid in cash	—	(43,200)	(43,200)
Issuance costs to be paid in equity		(18,916)	(18,916)
Underwriting fees paid in cash		(72,900)	(72,900)
Rewards in cash	(349,666)	—	(349,666)
Amortization of debt discount	—	148,706	148,706
Notes payable, current-portion	1,259,534	(515,510)	744,024
Add: Notes payable, non-current portion	250,000	—	250,000
Total Notes payable as of March 31, 2024	\$ 1,509,534	\$ (515,510)	\$ 994,024

On January 22, 2024, the Company entered into a merchant cash advance agreement (the "Cash Advance Agreement") whereby the Company received \$504,900 of cash (net of underwriting fees of \$35,100), and paid finder's fees in cash of \$21,600 and finder's fees to be issued in equity with an aggregate value of \$16,200, with the obligation to repay a total of \$804,600 over thirty-two weekly payments of \$25,143.75, beginning January 30, 2024. The difference between the total repayment amount and the net proceeds received is being accounted for as an original issue discount, and along with the finder's fees, is being amortized over thirty-two weeks using the effective interest rate method and an annualized effective interest rate of 184%. The Cash Advance Agreement is secured by the Company's accounts receivable and related cash receipts. On February 26, 2024, the parties added an addendum to the agreement for an early payoff discount whereby the Company will owe \$756,000 if paid by March 22, 2024, or \$783,000 if paid by April 22, 2024. The Company did not take advantage of the early payoff discount and will continue making weekly payments over the original thirty-two week term.

On February 26, 2024, the Company entered into a merchant cash advance agreement (the "Second Cash Advance Agreement") with the same lender mentioned above whereby the Company received \$502,200 of cash (net of underwriting fees of \$37,800), and paid finder's fees in cash of \$21,600 and finder's fees to be issued in equity with an aggregate value of \$16,200, with the obligation to repay a total of \$804,600 over thirty weekly payments of \$26,820, beginning February 29, 2024. The difference between the total repayment amount and the net proceeds received is being accounted for as an original issue discount, and along with the finder's fees, is being amortized over thirty weeks using the effective interest rate method and an annualized effective interest rate of 195%. The Second Cash Advance is secured by the Company's accounts receivable and related cash receipts.

See Note 12 – Subsequent Events – Promissory Notes for information related to notes payable issued subsequent to March 31, 2024, and warrants subsequently issued to satisfy the equity obligation.

NOTE 10 - STOCKHOLDERS' EQUITY (DEFICIT)

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

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

Each sale (an "Advance") that the Company requests under the SEPA (via an "Advance Notice") may be for a number of shares of common stock with an aggregate value of up to \$5,000,000. Shares are sold under the SEPA at 98.0% of the average of the **VWAPs** volume-weighted average price ("VWAP") during each of the three consecutive trading days commencing on the trading day following the Company's submission of an Advance Notice to Yorkville. Advances are subject to certain limitations, including that Yorkville will not

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purchase any shares that would result in it owning more than 4.99% of the Company's outstanding common stock at the time of an Advance, or more than the amount of shares registered under the registration statement in effect at the time of the Advance. **Further, the aggregate amount of shares purchased under the SEPA (as defined) cannot exceed 19.9% of the Company's outstanding common stock as of the date of the SEPA.**

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, the Company issued **4,078,971** **41,027,181** shares of common stock at purchase prices per share ranging from \$0.57 to \$1.20, pursuant to Investor SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$4,466,626. **\$8,979,058**. Of the gross proceeds, \$2,910,651 was retained by the Company to fund operations. The remaining proceeds were applied against the principal and interest due for the Initial Advance owed in the aggregate amounts of \$4,032,656 and \$433,970, respectively. As of September 30, 2023, the gross principal balance on connection with the Prepaid Advance liability is \$5,971,238, which consists **Liability**. As of March 27, 2024, The Prepaid Advance Liability and the Initial Advance and Second Advance of \$3,865,975 and \$2,105,263, respectively, including the original issue discount of \$215,975 and \$105,263, respectively, related accrued interest has been repaid in full.

See Note **9** **6** – Prepaid Advance Liability, for details related to a supplemental agreement to the SEPA.

Common Stock

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

During the nine three months ended September 30, 2023 March 31, 2024, the Company issued an aggregate of 232,600 35,500 shares of immediately vested common stock with a grant date value of \$144,480 \$6,390 for legal services.

During the three months ended March 31, 2024, the Company issued 384,627 shares of common stock upon the vesting of restricted stock units previously granted.

See Note 13 10 - Stockholders' Equity - Restricted Stock Awards, for details related to restricted equity grants and Note 9 6 - Prepaid Advance Liability for details related to additional share issuances.

Preferred Stock Options

On January 26, 2024, the Board of Directors ("Board"), approved, authorized, and ratified the issuance of 730,000 shares of previously designated Non-convertible Series A Voting Preferred Stock to the Chairman and Chief Executive Officer of the Company, Michael Mo, for no consideration, subject to the Board reserving the full and unequivocal right to revoke, rescind, transfer or otherwise cancel the issued Non-convertible Series A Voting Preferred Stock in the event Michael Mo is removed from any position with the Company or resigns from all positions with the Company. The issuance of up to 1,000,000 shares of Non-convertible Series A Voting Preferred Stock was previously approved and authorized by a vote of the majority stockholders of the Company.

Holders of Non-convertible Series A Voting Preferred Stock shall not be entitled to dividends, shall not convert into another series or class of stock of the Company and have no rights to distributions in the event of any liquidation. Each record holder of Non-convertible Series A Voting Preferred Stock shall have that number of votes (identical in every other respect to the voting rights of the holders of Common Stock entitled to vote at any regular or special meeting of the shareholders or by written consent) equal to one-hundred (100) votes per share of Non-convertible Series A Voting Preferred Stock held by such record holder.

Treasury Stock

As of March 31, 2024 and December 31, 2023, the Company has computed the fair value 131,162 shares held in treasury recorded at their cost of stock options granted using the Black-Scholes option pricing model. In applying the Black-Scholes option pricing model, the Company used the following range of weighted average assumptions:

	For The Three Months Ended		For The Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Risk free interest rate	4.77% - 5.40%	2.85% - 4.21%	3.92% - 5.40%	1.18% - 4.21%
Expected term (years)	3.5	3.8	3.5	3.5 - 3.9
Expected volatility	109%	106%	105% - 109%	106% - 116%
Expected dividends	0%	0%	0%	0%
	\$296,222.			

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2023, the weighted average grant date fair value per share of options was \$0.18 and \$0.47, respectively, compared to \$1.08 and \$1.31, respectively, for the three and nine months ended September 30, 2022. **Warrants**

A summary of options warrants activity during the nine three months ended September 30, 2023 March 31, 2024, is presented below:

	Number of Options	Weighted Average		Weighted Average		Weighted Average		Weighted Average	
		Exercise Price	Remaining Term (Yrs)	Intrinsic Value	Number of Warrants	Exercise Price	Remaining Term (Yrs)	Intrinsic Value	
Outstanding, January 1, 2023	640,216	\$ 1.72							
Granted	325,000	0.87							
Outstanding, January 1, 2024					2,524,410	\$ 1.02			
Issued									
Exercised	—	—			—	—			
Expired	—	—			—	—			
Forfeited	(10,000)	2.08			—	—			
Outstanding, September 30, 2023	955,216	\$ 1.43	2.9	\$ —					
Outstanding, March 31, 2024					2,524,410	\$ 1.02	1.8	\$ —	
Exercisable, September 30, 2023	350,036	\$ 1.07	1.3	\$ —					
Exercisable, March 31, 2024					2,524,410	\$ 1.02	1.8	\$ —	

The following table presents information related to stock options. A summary of outstanding and exercisable warrants as of September 30, 2023; March 31, 2024, is presented below:

	Options Outstanding			Options Exercisable			Warrants		
	Warrants Outstanding						Outstanding	Warrants Exercisable	
	Exercise Price	Outstanding Number of Options	Remaining Life In Years	Exercisable Number of Options	Outstanding Number of Warrants	Remaining Life In Years	Number of Warrants		
\$0.62 - \$0.99	325,486	0.7	162,806						
\$1.21 - \$1.50	250,000	4.3	35,000						
\$1.55 - \$1.99	90,000	3.6	22,500						
\$2.05 - \$2.44	289,730	2.8	129,730						
\$ 1.25				177,885		1.8	177,885		
\$ 1.00				2,346,525		1.8	2,346,525		
	955,216	1.3	350,036	2,524,410		1.8	2,524,410		

As Stock Options

A summary of September 30, 2023, there was \$418,069 of unrecognized stock-based compensation expense related to the above stock options which will be recognized over activity during the weighted average remaining vesting period of 2.8 years.

Restricted Stock Awards

The following table presents information related to restricted stock awards as of September 30, 2023; three months ended March 31, 2024, is presented below:

	Shares of Restricted Common Stock	Weighted Average		Weighted Average		Weighted Average	
		Grant Date	Fair Value	Number of Options	Exercise Price	Remaining Term (Yrs)	Intrinsic Value
Non-vested RSAs, January 1, 2023	2,042,500	\$ 2.50					
Outstanding, January 1, 2024				722,716	\$ 1.26		
Granted	2,218,508	0.96	10,000	10,000	0.19		
Vested	(715,000)	2.42					
Forfeited	(75,000)	2.08	(62,500)	(62,500)	0.81		
Non-vested RSAs, September 30, 2023	3,471,008	\$ 1.54					

Outstanding, March 31, 2024	<u>670,216</u>	\$ <u>1.28</u>	<u>2.6</u>	\$ <u>1,900</u>
Exercisable, March 31, 2024	<u>335,215</u>	\$ <u>0.81</u>	<u>1.2</u>	\$ <u>—</u>

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(b unaudited)

On March 31, 2021, The following table presents information related to stock options as of March 31, 2024:

Options Outstanding		Options Exercisable		
Exercise Price	Number of Options	Weighted Average Remaining Life		Number of Options
		In Years	Exercisable	
\$0.19 - \$0.99	285,486	0.5	194,235	
\$1.21 - \$1.50	145,000	3.8	36,250	
\$1.55 - \$1.99	80,000	3.0	25,000	
\$2.05 - \$2.44	159,730	2.7	79,730	
	<u>670,216</u>	<u>1.2</u>	<u>335,215</u>	

For the three months ended March 31, 2024 and 2023, the weighted average grant date fair value per share of options was \$0.14 and \$0.67, respectively.

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

	For The Three Months Ended	
	March 31,	
	2024	2023
Risk free interest rate	4.27 %	3.92% - 4.52 %
Expected term (years)	3.8	3.5
Expected volatility	109 %	105 %
Expected dividends	0 %	0 %

Option forfeitures are accounted for at the time of occurrence. The expected term used is the estimated period of time that options granted 2,000,000 restricted shares are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of common stock to the Company's President and Chief Operating Officer, expected term of employee option grants. The restricted shares vest in four (4) equal annual installments, Company utilizes an expected volatility figure based on the first installment of which vested on March 1, 2023. On March 31, 2023, and effective as of March 1, 2023, the Company withheld and cancelled 175,000 shares historical volatility of its common stock over a period of time equivalent to satisfy an aggregate of \$229,249 of payroll tax withholdings and remittance obligations in connection with vesting of 500,000 shares of restricted stock, resulting in a net settlement of 325,000 shares. The withholding and cancellation the expected term of the 175,000 shares represented instrument being valued. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a retirement of shares at a price per share equal to \$1.31, remaining term consistent with the closing price per share of our common stock on the trading day prior to the March 1, 2023, the effective date expected term of the share cancellation.

instrument being valued.

As of September 30, 2023 March 31, 2024, there was \$4,246,243 \$269,531 of unrecognized stock-based compensation expense related to restricted stock awards that options, which will be recognized over the weighted average remaining vesting period of 2.72 2.3 years.

Restricted Stock Units Awards

The following table presents information related to restricted stock units ("RSUs") as of September 30, 2023 awards activity during the three months ended March 31, 2024:

	Shares of Restricted Common Stock	Weighted Average		Shares of Restricted Common Stock	Weighted Average	
		Grant Date	Fair Value		Grant Date	Fair Value
Non-vested RSUs, January 1, 2023	3,000,000	\$	2.05			
Non-vested RSAs, January 1, 2024				3,381,008	\$	1.53
RSAs exchanged for RSUs				(2,168,508)		0.94
Granted	—	—	—	—	—	—
Vested	—	—	—	(500,000)		2.61
Forfeited	—	—	—	—	—	—
Non-vested RSUs, September 30, 2023	3,000,000	\$	2.05			
Non-vested RSAs, March 31, 2024				712,500	\$	2.52

As of September 30, 2023, there was \$3,240,067 of unrecognized stock-based compensation expense related to restricted stock units that will be recognized over the weighted average remaining vesting period of 3.09 years.

Stock-Based Compensation

During the three and nine months ended September 30, 2023, the Company recognized stock-based compensation expense of \$846,633 and \$2,730,989, respectively, related to restricted stock awards, restricted stock units, warrants and stock options, of which \$560,139 and \$2,391,509, respectively, are included within selling, general and administrative expenses, and \$286,494 and \$339,480, respectively, are included within research and development expenses on the unaudited condensed consolidated statements of operations.

During the three and nine months ended September 30, 2022, the Company recognized stock-based compensation expense of \$922,311 and \$3,208,778, respectively, related to restricted stock awards, restricted stock units, market-based awards, and stock options, of which \$916,708 and \$3,185,373, respectively, are included within selling, general and administrative expenses, and \$5,603 and \$23,405, respectively, are included within research and development expenses in the unaudited condensed consolidated statements of operations.

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

During the three months ended March 31, 2024, the Company issued 2,168,508 restricted stock units in exchange for the same quantity of restricted stock awards. The exchange of RSAs for RSUs did not result in a modification of any other terms, such as the grant date fair value and vesting period.

As of March 31, 2024, there was \$1,513,146 of unrecognized stock-based compensation expense related to restricted stock awards that will be recognized over the weighted average remaining vesting period of 1.13 years.

Restricted Stock Units

The following table presents information related to restricted stock units ("RSUs") activity during the three months ended March 31, 2024:

	Number of	Weighted Average

	Restricted	Grant Date
	Common Units	Fair Value
Non-vested RSUs, January 1, 2024	2,250,000	\$ 2.05
RSAs exchanged for RSUs	2,168,508	0.94
Granted	225,000	0.14
Vested	(374,627)	1.00
Forfeited	—	—
Non-vested RSUs, March 31, 2024	<u>4,268,881</u>	<u>\$ 1.48</u>

As of March 31, 2024, there was \$4,348,245 of unrecognized stock-based compensation expense related to restricted stock units that will be recognized over the weighted average remaining vesting period of 3.0 years.

Stock-Based Compensation

During the three months ended March 31, 2024 and 2023, the Company recognized stock-based compensation expense of \$845,930 and \$920,155, respectively, related to restricted stock awards, restricted stock units and stock options, of which \$808,106 and \$903,995, respectively, is included within selling, general and administrative expenses, and \$37,824 and \$16,160, respectively is included within research and development expenses in the unaudited condensed consolidated statements of operations.

The following table presents information related to stock-based compensation for the three and nine months ended September 30, 2023 March 31, 2024 and 2022:

	For The Three Months Ended		For The Nine Months Ended		For The Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Common stock for services	\$ 41,100	\$ —	\$ 47,920	\$ 53,421		
Accrued issuable equity (common stock)	24,635	16,840	145,130	(29,360)		
True up to accrued issuable equity	(83,485)	—	—	—		
Common stock for services (includes accrued, unissued shares)					\$ 32,393	\$ 114,450
Amortization of stock options	56,067	23,959	140,983	66,377	32,041	40,605
Amortization of market-based awards	—	477,700	—	1,773,169		
Amortization of restricted stock awards and units	808,316	403,812	2,396,956	1,345,171	781,496	765,100
Total	\$ 846,633	\$ 922,311	\$ 2,730,989	\$ 3,208,778	\$ 845,930	\$ 920,155

NOTE 14.11 – COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company may be involved in litigation and arbitrations from time to time in the ordinary course of business. As of March 31, 2024, the Company was not involved in any ongoing litigation. The Company records legal costs associated with loss contingencies as incurred. Settlements are accrued when, and if, they become probable and estimable.

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KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 12 - SUBSEQUENT EVENTS

Common Stock Promissory Notes

On **October 6, 2023** **April 2, 2024**, the Company entered into an agreement (the "Promissory Note"), with a lender (the "Lender"), pursuant to which the Lender purchased an unsecured promissory note with an initial principal amount of \$500,000. The Company received cash proceeds of \$440,000, resulting in a discount of \$60,000, made up of an original issue discount of \$50,000 and debt issuance costs of \$10,000. The Promissory Note carries an annual interest rate of 0%, which shall increase to 15% in the event of default, and has a maturity date of **October 2, 2024**, after which all outstanding principal and accrued interest will become immediately due.

On **April 9, 2024**, the Company entered into a note purchase agreement pursuant to which the Company issued **273,723** an unsecured promissory note with an initial principal amount of \$200,000 and which matures on the first anniversary of its issuance. The Company received cash proceeds of \$200,000. The promissory note carries an annual interest rate of 16%. In the event the promissory note is prepaid within 9 months of its issuance, the holder is entitled to the repayment of principal and cash payment of interest equal to 12% of the prepayment amount.

Board of Director Activities and Compensation

On April 15, 2024, the Company announced the appointment of a new independent director, Donna H. Grier, to the Company's Board of Directors (the "Board"). Ms. Grier will serve as Chair of the Audit Committee, and a member of both the Nominating and Corporate Governance, and Compensation Committees of the Board. Ms. Grier was granted cash compensation of \$17,500 per quarter, and 140,000 restricted stock units of the Company's common stock, which vest over four quarters in 35,000 share increments, beginning on June 30, 2024.

Concurrent with the appointment of Ms. Grier, director Mr. Morio Kurosaki retired from the Board, and was issued immediately vested equity compensation of 15,000 shares of common stock. In addition, director Dr. Joanna Massey was issued 15,000 shares of immediately vested common stock, with a value **140,000** restricted stock units of \$109,489 as equity consideration pursuant to the terms of an agreement (the "Asset Purchase Agreement") executed **Company's common stock**, which vest over four quarters in 35,000 share increments, beginning on **October 6, 2022** **June 30, 2024**.

Prepaid Advance Liability Standby Equity Purchase Agreement

On **November 7, 2023** **Subsequent to March 31, 2024**, and through **May 13, 2024**, the Company issued a total of **9,453,767** shares of common stock pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$4,321,479.

Warrants

Pursuant to the **January 2024** and **Yorkville executed an amended Letter Agreement revising repayment terms, as follows:**

- a) On or before December 31, 2023, the Company shall pay (i) \$1,500,000 in principal, (ii) 5% payment premium and (iii) all outstanding accrued and unpaid interest.
- b) On or before January 31, 2024, the Company shall pay (i) \$2,000,000 in principal, (ii) 5% payment premium and (iii) all outstanding accrued and unpaid interest.
- c) On or before March 1, 2024, the Company shall pay (i) the remaining principal amount, (ii) 5% payment premium and (iii) all outstanding accrued and unpaid interest.

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

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

The following discussion and analysis of the results of operations and financial condition of KULR Technology Group, Inc. ("KULR") and its wholly-owned subsidiary, KULR Technology Corporation ("KTC") (collectively referred to as "KULR" or the "Company") as of **September 30, 2023** **March 31, 2024** and for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **March 31, 2023** should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to those unaudited condensed consolidated financial statements that are included elsewhere in this Quarterly Report. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us", "we", "our" and similar terms refer

to the Company. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Actual results could differ materially because of the factors discussed in "Risk Factors" elsewhere in this Quarterly Report, and other factors that we may not know. There have been no material changes to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K which was filed with the SEC on **March 28, 2023** **April 12, 2024**, except as unless disclosed elsewhere in this Quarterly Report.

Overview

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

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

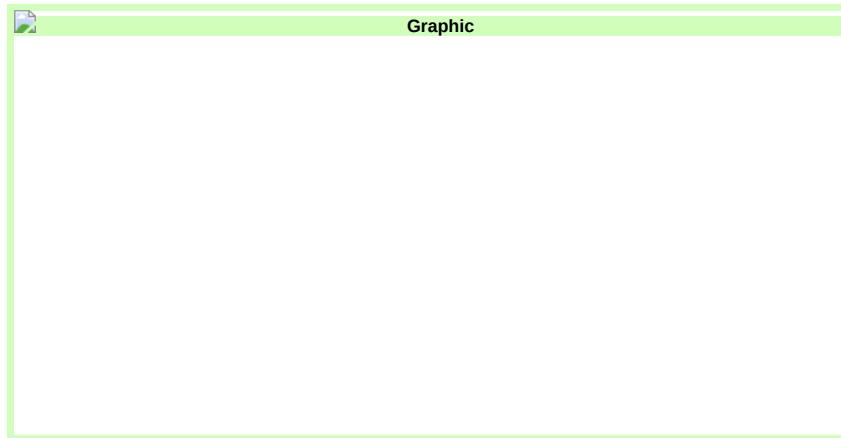
As companies and governments around the world pledge to meet net zero emissions over the next few decades, KULR is uniquely positioned to accelerate the adoption of clean energy solutions and sustainable products and facilitate the migration to a global circular economy. The Company's goal is to provide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

KULR ONE and KULR ONE Design Solutions (K1DS)

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

- (1) Multi-disciplinary expertise to address related electrical, thermal, mechanical, and electrochemical requirements,
- (2) Cell supply access to top-tier OEMs,

- (3) Cell level testing capabilities to characterize performance, quality, and safety behavior at the cell level,
- (4) Expertise in early concept design, modeling, and analysis,
- (5) Rapid prototyping and production capabilities,
- (6) Pack and system level thermal, mechanical, electrical, and abuse testing capabilities,
- (7) Expertise in battery management, controls, and monitoring,
- (8) Ability to support beginning of life to end of life requirements for transport and recycling.

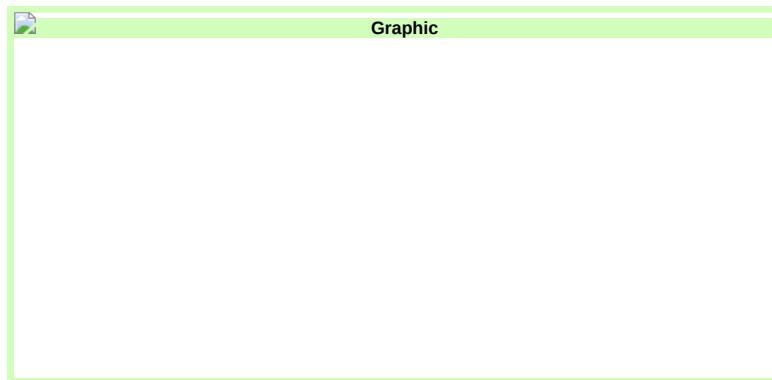


To address the need for a holistic approach, KULR developed a battery product and service portfolio over the course of the last decade that provides products, safety testing services, modeling and analysis services, electrical testing services, transport and recycling packaging and logistics, and battery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

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[Table of battery packs represent Contents](#)

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



Internally, KULR has leveraged K1-DS to develop off the shelf KULR ONE architecture which represents a groundbreaking innovation that is driving the world's transition to a more sustainable electrification economy. These revolutionary designs offer a unique combination of cutting-edge features, including unparalleled safety, exceptional performance, intelligent functionality, modular construction, reliability, and customizability. The KULR ONE battery packs have been engineered to meet the exacting demands of the world's most demanding applications. They As of now, the Company is focused on the KULR ONE Space for space exploration, the KULR ONE Guardian for military applications, and the KULR ONE Max for

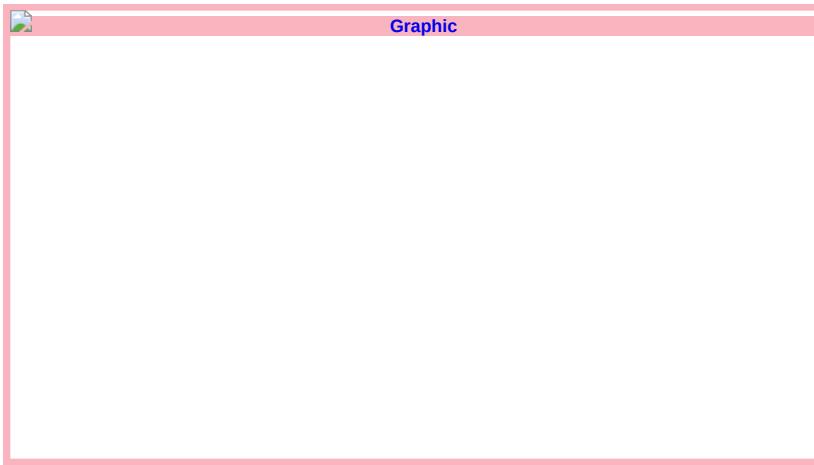
rack-style grid energy storage systems, also referred to as Battery Energy Storage Systems (BESS). These architectures collectively offer a comprehensive solution that addresses the critical need for safe and reliable energy storage in a wide range of industries, from aerospace and defense to electric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



Graphic

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KULR's holistic suite Table of battery safety and thermal energy management products and services include: Passive Propagation Resistant ("PPR") design and testing, Internal Short Circuit ("ISC") trigger cells, Fractional Thermal Runaway Calorimeter ("FTRC") testing and an AI-powered CellCheck™ battery management system. The following picture illustrates the different products and services offered by KULR in this holistic approach.



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KULR VIBE Solution

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

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

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

The Future is Energy + AI

We believe the future of KULR is Energy + AI. We are building our AI infrastructure on industry leading Nvidia and AMD semiconductor platforms, and they are hosted on a hybrid of private cloud and Microsoft Azure. As the world faces shortages in supply of both technical expertise to design batteries and raw materials to produce enough Li-ion batteries, KULR aims to power everything from EV's to address this need with KULR ONE AI (K1AI). The Company is collecting large quantities of performance and safety test datasets for the most highly used commercial lithium-ion cells and combining that data with AI techniques to smartphones, KULR is developing a modular drive battery storage architecture that can be used across multiple applications with real-time monitoring by AI-powered CellCheck. design and reduce engineering touch time to market. This product is to target the following markets:

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

Recent Developments

Quarterly Revenues Liability Repayment

The Company reported its fifth consecutive quarter of increasing trailing twelve months revenues. Trailing twelve months revenues were \$9,897,265 for During the twelve three months ended September 30, 2023.

Equity Financing

On September 15, 2023 March 31, 2024, the Company completed a public offering of 8,214,285 issued 41,027,591 shares of common stock priced at \$0.35 per share, with pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$8,979,058. Of the gross proceeds, \$2,910,651 was retained by the Company to fund operations. The remaining proceeds were applied against the principal and interest owed in connection with the Prepaid Advance Liability. The Prepaid Advance Liability and the related accrued interest has been repaid in full during the first quarter of \$2,875,000 less issuance costs of \$588,230, for net proceeds of \$2,286,770. See Note 13 – Stockholders' Equity – Common Stock for further details, 2024.

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Liability Repayment Standby Equity Purchase Agreement ("SEPA")

On September 18, 2023 Subsequent to March 31, 2024, and through May 13, 2024, the Company repaid issued a total of 9,453,767 shares of common stock pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$4,321,479.

Merchant Cash Advance Agreement

On January 22, 2024, the Company entered into a merchant cash advance agreement (the "Cash Advance Agreement") with a lender, pursuant to which Cash Advance Agreement the Company agreed to sell, and the lender agreed to purchase, the Company's right, title and interest in and to \$804,600 of the Company's accounts receivables, for a purchase price of \$504,900. The Company received \$504,900 of cash (net of underwriting fees of \$35,100) and paid finder's fees in cash of \$21,600 and finder's fees to be issued in equity with an aggregate amount value of \$1,839,731, consisting \$16,200, with the obligation to repay a total of \$804,600 over thirty-two weekly payments of \$25,143.75, beginning January 30, 2024. The Cash Advance Agreement is secured by the Company's accounts receivable and related cash receipts. On February 26, 2024, the parties added an addendum to the agreement for an early payoff discount whereby the Company will owe \$756,000 if paid by March 22, 2024, or \$783,000 if paid by April 22, 2024. The Company did not take advantage of the early payoff discount and will resume making weekly payments over the original thirty-two week term.

On February 26, 2024, the Company entered into a merchant cash advance agreement (the "Second Cash Advance Agreement") with the lender mentioned above, pursuant to which Second Cash Advance Agreement the Company agreed to sell, and the lender agreed to purchase, the Company's right, title and interest in and to \$804,600 of the Company's accounts receivables, for a purchase price of \$502,200. The Company received \$502,200 of cash (net of underwriting fees of \$37,800) and paid finder's fees in cash of \$21,600 and finder's fees to be issued in equity with an aggregate value of \$16,200, with the obligation to repay a total of \$804,600 over thirty weekly payments of \$26,820, beginning February 29, 2024. The Second Cash Advance Agreement is secured by the Company's accounts receivable and related cash receipts.

Promissory Notes

On April 2, 2024, the Company entered into an agreement (the "Promissory Note"), with a lender (the "Lender"), pursuant to which the Lender purchased an unsecured promissory note with an initial principal amount of \$1,500,000, \$500,000. The Company received cash proceeds of \$440,000, resulting in a discount of \$60,000, made up of an original issue discount of \$50,000 and debt issuance costs of \$10,000. The Promissory Note carries an annual interest rate of 0%, which shall increase to 15% in the event of default, and has a maturity date of October 2, 2024, after which all outstanding principal and accrued interest will become immediately due.

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

Issuance of Non-Convertible Series A Voting Preferred Stock

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

The issuance is subject to the Board reserving the full and unequivocal right to revoke, rescind, transfer or otherwise cancel the issued Non-convertible Series A Voting Preferred Stock in the amount event Michael Mo is removed from any position with the Company or resigns from all positions with the Company. This conditional arrangement is designed to ensure that the voting power conferred by the Non-convertible Series A Voting Preferred Stock remains tied to the active leadership of \$264,731 the Company. This underscores the Board's commitment to maintaining alignment with the long-term interests of the Company and its stockholders.

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

Recent Shareholder Vote by Majority Written Consent

On February 9, 2024, the shareholders of the Company, acted by way of majority written consent (in lieu of a special meeting of stockholders) to approve resolutions authorizing the Company's Board of Directors to take the following actions: (1) to issue shares of Common Stock to current or future engagements with commercial or strategic parties, which may result in issuances of over 20% of the issued and outstanding shares of Common Stock; (2) to amend the Company's Bylaws to decrease the number of shares of Common Stock needed to establish a quorum for meetings of stock holders to thirty-three-and-one-third percent (33 1/3 %) of the outstanding voting securities of the Company; (3) to amend the Certificate of Incorporation of the Company to effect a reverse split within a ratio range between 1-for-2 and 1-for-80, which the Company has not taken the required action to effect this reverse split; (4) to issue shares of common stock, in connection with an existing financing facility, which may result in the amount potential issuance of \$75,000. See Note 9 - Prepaid Advance Liability over 20% of the issued and outstanding shares. The resolution was approved by shareholders holding approximately in aggregate of 55.72% of ownership percentage of the voting stock as of February 9, 2024.

Risks Associated with Ongoing Conflicts

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

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

We cannot predict how the events described above will evolve. If the events continue for further details, a significant period of time or expand to other countries, and depending on the ultimate outcomes of these conflicts, which remain uncertain, they could heighten certain risks disclosed in Item 1A in our Annual Report on Form 10-K which was filed with the SEC on April 12, 2024, including, but not limited to, adverse effects on macroeconomic conditions, including increased inflation, constraints on the availability of commodities, supply chain disruption and decreased business spending; cyber-incidents; disruptions to our or our business partners' global technology infrastructure, including through cyber-attack or cyber-intrusion; adverse changes in international trade policies and relations; claims, litigation and regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; reputational risk; and constraints, volatility, or disruption in the capital markets, any of which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Compliance with NYSE American Continued Listing Requirements

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

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

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On March 5, 2024, the Company received a notification from the NYSE that the Company's plan to regain compliance with Section 1003 (a) (iii) of the Company Guide was accepted and so long as the Company meets its interim objectives, the Company will have until June 20, 2025, to regain compliance with the minimum stockholders' equity requirement.

On February 12, 2024, the Company received an additional notice letter from NYSE stating that it is not in compliance with Section 1003(f)(v) of the Company Guide since the Company's securities were trading at an average of less than \$0.20 per share for 30 days. However, on May 1, 2024, the Company received a notification from the NYSE stating that the Company had regained compliance with Section 1003 (f) (v) of the Company Guide given the increase in the trading price of the Company's securities.

Results of Operations

Three and Nine Months Ended September 30, 2023 March 31, 2024, Compared With Three and Nine Months Ended September 30, 2022 March 31, 2023

Revenue

Our revenues consisted of the following contract types:

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Product sales	\$ 1,896,470	\$ 1,369,857	\$ 5,483,098	\$ 2,100,120	\$ 615,093	\$ 1,629,258
Contract services	1,144,537	23,328	2,013,217	81,110	1,134,011	130,544
Total revenue	\$ 3,041,007	\$ 1,393,185	\$ 7,496,315	\$ 2,181,230		
Total Revenue					\$ 1,749,104	\$ 1,759,802

For the three months ended September 30, 2023 March 31, 2024 and 2022, we generated \$3,041,007 \$1,749,104 and \$1,393,185 \$1,759,802 of revenues from 1834 and 1615 customers, respectively, representing an increase of \$1,647,822, or 118%. For the nine months ended September 30, 2023 and 2022, we generated \$7,496,315 and \$2,181,230 of revenues from 37 and 29 customers, respectively, representing an increase of \$5,315,085, or 244%, respectively.

Revenue from product sales during the three months ended September 30, 2023 increased March 31, 2024, decreased by \$526,613 \$1,014,165 or 38% 62% compared to the three months ended September 30, 2022 March 31, 2023. Revenue from product sales during the nine months ended September 30, 2023 increased by \$3,382,978 or 161% compared to the nine months ended September 30, 2022. The increase in product sales during the three and nine months ended September 30, 2023, was primarily due to a significant increase in sales of patented Thermal Runway Shield ("TRS") technology. Product sales also included the sales of our component product, and internal short circuit ("ISC") battery cells and devices, devices, and patented TRS technology. We had 25 product sales customers in the first quarter of 2024, compared with 13 in the first quarter of 2023. The decline in product sales can be attributed to several expected first half 2024 orders, which management now expects to receive in the second half of 2024.

Revenue from contract services during the three months ended September 30, 2023 March 31, 2024, increased by \$1,121,209 \$1,003,467 or 769% compared to the three months ended September 30, 2022 March 31, 2023. Revenue from contract services during the nine months ended September 30, 2023 increased by \$1,932,107 or 2382% compared to the nine months ended September 30, 2022. Two contracts received during the nine months of 2023 generated \$975,270 of contract service revenues. Our contract service revenues include certain research and development contracts and onsite engineering services. We had 14 contract services customers in the first quarter of 2024, compared with 5 in the first quarter of 2023. Four large contracts received during the first quarter of 2024 generated \$328,000 of service revenues, while \$461,000 of service revenues deferred at December 31, 2023, were recognized in the quarter.

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

Cost of Revenue and Gross Profit

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

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

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For the three months ended September 30, 2023 March 31, 2024 and 2022 2023, cost of revenue was \$1,703,553 \$1,238,315 and \$932,364, \$1,116,414, respectively, representing an increase of \$771,189, \$121,901 or 83% 11%. The increase corresponds to the increase in our revenue during the period. The gross margin percentage was 44% and 33% for For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, gross profit was \$510,789 and \$643,388, respectively, a decline of \$132,599 or 21%, which represented gross profit margins of 29% and 37%, respectively. The gross decrease in the

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current period profit margin percentage increased was primarily due to (a) approximately \$250,000 of labor and materials costs in the current period associated with a specific project which had no corresponding current period revenue; and (b) an approximately \$167,000 increase in higher margin quarterly depreciation expense for revenue from contract services generating equipment that was put in service in the last month of the quarter ended March 31, 2023.

For the nine months ended September 30, 2023 and 2022, cost of revenue was \$4,513,285 and \$1,478,954, respectively, representing an increase of \$3,034,331, or 205%. The increase corresponds to the increase in our revenue during the period. The gross margin percentage was 40% and 32% for the nine months ended September 30, 2023 and 2022, respectively. The gross margin percentage increased due to the increase in higher margin revenue from contract services.

Research and Development

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

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, R&D expenses were \$1,640,959 \$954,625 and \$1,069,852, \$1,805,015, respectively, representing an increase a decrease of \$571,107, \$850,390 or 53% 47%. The increase during 2023 decrease was comprised primarily of \$515,634 \$429,263 of labor costs allocated to cost of revenue in 1Q24 due to the increase in service revenue, \$390,714 related to a planned increases decrease in headcount in order R&D consulting services to build future capacity, and \$28,380 related to conserve cash, partially offset by an increase in employee stock-based compensation building related expenses of approximately \$50,000 for option awards.

For the nine months ended September 30, 2023 and 2022, R&D expenses were \$4,873,841 and \$2,790,683, respectively, representing an increase of \$2,083,158 or 75%. The increase during 2023 was comprised primarily of \$1,604,843 related to planned increases facility in headcount in order to build future capacity, amortization of prepaid cash consideration for Vibetech asset purchase agreement of \$375,000, equity compensation for Vibetech asset purchase agreement of \$128,650, rent expense of \$42,948 for a new facility for R&D initiatives designed to build future revenue growth and \$40,482 for depreciation expense, partially offset by a reduction in outsourced R&D costs. Texas.

We expect that our R&D expenses will increase as we expand our future operations presuming that we raise adequate capital to do so. and as our cash position improves.

Selling, General and Administrative

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

For the three months ended **September 30, 2023** **March 31, 2024** and **2022**, selling, general and administrative expenses were **\$4,793,523** **\$4,212,898** and **\$4,349,373**, **\$5,099,091**, respectively, an increase representing a decrease of **\$444,150**, **\$886,193** or **10%** **17%**. The increase decrease is primarily due to increases a planned decrease in depreciation and amortization expense outsourced services of **\$486,724** primarily due to enhancements to our primary facility, labor costs of **\$240,766**, various legal and professional fees of **\$107,912**, software license and utility fees of **\$78,703**, board compensation fees of **\$61,250**, insurance fees of **\$50,044**, franchise tax of **\$32,342**, and office related expenses due to the increase in headcount of **\$21,997**, partially offset by **\$575,158**, a decrease in marketing conferences and advertising expenses seminars of **\$416,140**, **\$127,835** and a decrease of **\$252,557** in **\$95,889** for stock-based compensation.

For the nine months ended **September 30, 2023** and **2022**, selling, general and administrative expenses were **\$15,546,915** and **\$12,210,458**, respectively, an increase of **\$3,336,457**, or **27%**. The increase is primarily due to increases in labor costs of **\$1,279,768**, depreciation and amortization expense of **\$1,086,541**, consulting fees of **\$837,758**, travel and entertainment costs to build future revenue growth of **\$218,348**, software license and utility fees of **\$265,030**, and costs to attend conferences and seminars of **\$152,888**, partially offset by decreases in stock-based compensation of **\$793,866**.

Other Expense Income (Expense)

For the three months ended **September 30, 2023** **March 31, 2024** and **2022**, net other expense was **\$465,246**, **\$352,142** and **\$628,181**, **\$342,143**, respectively, representing a decrease of **\$162,935**, **\$9,999**, or **26%** **3%**. The change is primarily attributable to a **\$383,276** decline decrease of **\$71,240** for amortization of debt discount in connection with the Prepaid Advance, a decrease of **\$27,229** for interest expense primarily related to a note payable that was paid recorded in **2022** connection with the Prepaid Advance Liability, partially offset by an increase in the change in fair value of accrued issuable equity of **\$77,110** and **\$158,675** decline in PPP loan forgiveness.

For the nine months ended **September 30, 2023** and **2022**, net other expense was **\$1,062,401** and **\$678,960**, respectively, representing an increase of **\$383,441**, or **56%**. The change is primarily attributable **\$31,358** due to a **\$383,441** increase in interest expense primarily **2023** loss on debt extinguishment related to the prepaid advance liability that was entered into in September 2022, partially offset by a **\$158,675** decline in PPP loan forgiveness. Prepaid Advance Liability.

Liquidity and Capital Resources

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022**, **December 2023**, we had cash balances of **\$1,167,315**, **\$798,843** and **\$10,333,563**, **\$1,194,764**, respectively, and a working capital (deficit) deficit of **(\$6,355,104)**, **\$3,907,626** and **\$6,055,477**, **\$2,994,753**, respectively.

For the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, net cash used in operating activities was **\$10,893,050**, **\$3,907,406** and **\$13,366,007**, **\$4,759,039**, respectively. Our net cash used in operations for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, was primarily attributable to our net loss of **\$18,500,127**, **\$5,008,876**, adjusted for non-cash expenses in the aggregate amount of **\$4,968,456**, as well as **\$2,638,621** of net cash provided by changes in the levels of operating assets and liabilities. Our cash used in operations for the **nine** months ended **September 30, 2022** was primarily attributable to our net loss of **\$14,977,825**, adjusted for non-cash expenses in the aggregate amount of **\$4,072,738**, and **\$2,460,920**, **\$1,853,354**, plus **\$751,884** of net cash used to fund changes in the levels of operating assets and liabilities. Our net cash used in operations for the **three** months ended **March 31, 2023**, was primarily attributable to our net loss of **\$6,602,861**, adjusted for non-cash expenses in the aggregate amount of **\$1,414,023**, partially offset by **\$429,799** of net cash generated by changes in the levels of operating assets and liabilities.

For the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, net cash used in investing activities was **\$993,699**, **\$13,400** and **\$2,772,568**, **\$358,490**, respectively. Cash Net cash used in investing activities during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, was related to deposits paid for purchases of property and equipment of **\$621,107**, purchases of property and equipment of **\$237,592**, and an acquisition of intangible assets of **\$135,000**. Cash equipment. Net cash used in investing activities during the **nine** **three** months ended **September 30, 2022** **March 31, 2023**, was related to deposits paid for equipment of **\$2,198,626** and purchases of property and equipment, and the acquisition of **\$573,942**, an intangible asset.

For the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, net cash provided by financing activities was **\$2,720,501** **\$3,524,885** and **\$17,444,137**, **\$1,970,000**, respectively. Cash Net cash provided by financing activities during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, was due to the proceeds from a public offering of **\$2,875,000** SEPA Advance Notices totaling **\$2,910,651**, and a second Prepaid Advance of **\$2,000,000**, net proceeds from notes payable totaling **\$963,900**, partially offset by notes payable

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repayments of the Prepaid Advance of **\$1,575,000**, payments of issuance costs in connection with the public offering of **\$320,250**, repurchases of common stock of **\$229,249**, and financing costs related to the SEPA of **\$30,000**. Cash **\$349,666**. Net cash provided by financing activities during the **nine** **three** months ended **September 30, 2022** **March 31, 2023**, was due to net proceeds from the Prepaid Advance of **\$10,573,068**, proceeds from a promissory note of **\$4,750,000**, proceeds from the exercise of warrants of **\$3,020,836**, proceeds from the SEPA of **\$247,871**, and proceeds from the exercise of options of **\$25,233**, partially offset by repayments of the promissory note of **\$1,000,000**, and payments of issuance costs related to the prepaid advance liability of **\$85,000**, financing costs related to the SEPA for **\$72,800** and payments of issuance costs in connection with notes payable for **\$17,200**, **\$1,970,000**.

Future cash requirements for our current liabilities include **\$5,971,238** for Prepaid Advances, **\$4,831,517** approximately **\$5.8** million for accounts payable and accrued expenses, **\$1,259,534** for notes payable, and **\$172,569** **\$435,707** for future payments under operating leases. The Company has also committed to spend **\$809,379** **\$981,371** related to capital expenditures for automation equipment, and **\$500,000** in connection with an asset purchase agreement. There are no equipment.

Future cash requirements for long-term liabilities as of **September 30, 2023**. The Company intends to meet these cash requirements from its current cash balance, proceeds from future financing activities **March 31, 2024**, include **\$250,000** for notes payable, and from future revenues. **\$1,188,259** for operating leases.

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

On **September 18, 2023** **December 20, 2023**, we received a Stockholders' Equity Notice stating we are not in compliance with Section 1003(a) (iii) of the Company Guide since we reported stockholders' equity of **\$1,200,172** at September 30, 2023, and losses from continuing operations and/or net losses in our five most recent fiscal years. On February 12, 2024, we received a Letter from NYSE stating we are not in compliance with Section 1003(f) (v) of the Company guide since our securities were trading at an average of less than **\$0.20** per share for 30 days.

On March 5, 2024, the Company paid received a notification from the NYSE that the Company's plan to regain compliance with Section 1003 (a) (iii) of the Company Guide was accepted and so long as the Company meets its interim objectives, the Company will have until June 20, 2025, to regain compliance with the minimum stockholders' equity requirement. On May 1, 2024, the Company received a notification from the NYSE stating that the Company had regained compliance with Section 1003 (f) (v) of the Company Guide given the increase in the trading price of the Company's securities.

On April 2, 2024, the Company received cash proceeds of **\$440,000** related to an aggregate unsecured Promissory Note comprised of **\$1,839,731** owed an initial principal amount of **\$500,000** and discount of **\$60,000**. The Promissory Note carries an annual interest rate of **0%** and increases to **15%** in connection with our the event of default and has a maturity date of October 2, 2024. See Note 14 – Subsequent Events – for additional information.

On April 9, 2024, the Company received cash proceeds of **\$200,000** related to an unsecured Promissory Note which matures on the first anniversary of its issuance and carries an annual interest rate of **16%**. In the event the promissory note is prepaid advance liability consisting within 9 months of **\$1,500,000** its issuance, the holder is entitled to the repayment of principal **\$264,731** and cash payment of interest and **\$75,000** equal to **12%** of payment premium costs. Pursuant the prepayment amount. See Note 14 – Subsequent Events – for additional information.

Subsequent to the amendment dated November 7, 2023, three additional payments consisting of **\$1,500,000**, **\$2,000,000**, and remaining principal of **\$2,471,238** and premium costs thereafter will be due on December 31, 2023, January 31, 2024 **March 31, 2024**, and **March 1, 2024** through May 13,

2024, respectively, the Company issued a total of 9,453,767 shares of common stock pursuant to SEPA Advance Notices submitted by the Company to Yorkville for aggregate proceeds of \$4,321,479.

As of the date of the issuance of these consolidated financial statements, we have the Company has no additional commitments to obtain additional funding. These funding through future debt or equity financings, or that the Company will be able to obtain additional funds on commercially acceptable terms, if at all. There is no assurance that the amount of funds the Company might raise will enable the Company to complete its development initiatives or attain profitable operations. The aforementioned factors raise substantial doubt about our the Company's ability to continue as a going concern. The condensed consolidated concern for a period of one year from the issuance of these financial statements do not include any adjustments relating to the recoverability and classification of liabilities that may be necessary should we be unable to continue as a going concern. Our continuance as a going concern is dependent upon our ability to obtain additional operating capital and ultimately achieve revenue growth and attain profitability. statements.

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

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Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

For a description of We prepare our critical accounting estimates, see Critical Accounting Estimates in Item 7 of our Annual Report on Form 10-K which was filed with the SEC on March 28, 2023. There have been no changes to these critical accounting estimates since the Form 10-K was filed.

Recent Accounting Pronouncements

See Note 2 – Summary of Significant Accounting Policies of our unaudited condensed consolidated financial statements included in accordance with U.S. generally accepted accounting principles, which require our management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described below.

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our management, with the participation of our principal executive officer and principal financial officer, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During There has been no change in our internal control over financial reporting that occurred during the first quarter ended September 30, 2023, we concluded of 2024 that the preventative controls that we established around electronic payments (wires, EFT's, ACH's and credit card payments) were operating effectively and would ensure proper segregation of duties, thus remediating has materially affected, or is reasonably likely to materially affect, our prior material weakness related to the electronic payment process. internal control over financial reporting.

Inherent Limitations of the Effectiveness of Controls

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

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K which was filed with the SEC on March 28, 2023, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023, which was filed with the SEC on August 16, 2023 April 12, 2024.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None. Rule 10b5-1 Trading Arrangement

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

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ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit

No.

Description

1.1	Underwriting Agreement dated September 12, 2023, by and between KULR Technology Group, Inc. and the Benchmark Company LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on September 13, 2023)
10.1	Letter Agreement dated August 16, 2023, by and between KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 16, 2023)
10.2	Amendment Letter dated August 22, 2023, by and between KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 22, 2023)
10.3	Letter Agreement dated August 30, 2023, by and between KULR Technology Group, Inc., YA II PN, LTD, and Yorkville Advisors Global, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 30, 2023)
31.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance*
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation*
101.DEF	Inline XBRL Taxonomy Extension Definition*
101.LAB	Inline XBRL Taxonomy Extension Labels*
101.PRE	Inline XBRL Taxonomy Extension Presentation*
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)*

* Filed herewith.

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: **November 14, 2023** **May 15, 2024**

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

Dated: **November 14, 2023** **May 15, 2024**

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

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Exhibit 31.1

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

I, Michael Mo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KULR Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this **annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**
4. **The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:**
 - a) **Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**
 - b) **Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**
 - c) **Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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 quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- 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
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2023

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

Exhibit 31.2

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

I, Shawn Canter, certify that:

- I have reviewed this quarterly report on Form 10-Q of KULR Technology Group, Inc.;
- 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;
- Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:
 - 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;
 - 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;
 - 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
 - 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 quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- 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
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **November 14, 2023** May 15, 2024

By: **/s/ Michael Mo**

Michael Mo

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

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

I, Shawn Canter, certify that:

- I have reviewed this quarterly report on Form 10-Q of KULR Technology Group, Inc.;
- 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;
- 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;
- The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - 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;
 - 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;
 - 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
 - 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 quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
- The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2024

By: /s/ Shawn Canter

Shawn Canter

Chief Financial Officer

(Principal Financial and Accounting 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 KULR Technology Group, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

1. Dated: The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: November 14, 2023 May 15, 2024

By: /s/ Michael Mo

Michael
Mo
Chief
Executive
Officer
(Principal
Executive
Officer)

Dated: November 14, 2023 May 15, 2024
14, 2023

By: /s/ Shawn Canter

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

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