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**

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	**81-1004273**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4863 Shawline Street , San Diego , California	**92111**
(Address of principal executive offices)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of November 10, 2023, there were 127,884,674 shares outstanding.

KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023
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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	$ 12,607,137	$ 23,625,930
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

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

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

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Revenue	$ 3,041,007	$ 1,393,185	$ 7,496,315	$ 2,181,230
Cost of revenue	1,703,553	932,364	4,513,285	1,478,954
Gross Profit	1,337,454	460,821	2,983,030	702,276
Operating Expenses				
Research and development	1,640,959	1,069,852	4,873,841	2,790,683
Selling, general, and administrative	4,793,523	4,349,373	15,546,915	12,210,458
Total Operating Expenses	6,434,482	5,419,225	20,420,756	15,001,141
Loss From Operations	(5,097,028)	(4,958,404)	(17,437,726)	(14,298,865)
Other (Expense) Income				
Interest expense	(187,574)	(633,342)	(544,615)	(676,622)
Gain on forgiveness of PPP loan and interest	—	158,675	—	158,675
Amortization of debt discount	(234,899)	(172,407)	(695,773)	(275,626)
Loss on debt extinguishment	—	(8,508)	—	(8,508)
Change in fair value of accrued issuable equity	(42,773)	27,401	177,987	123,121
Total Other Expense, net	(465,246)	(628,181)	(1,062,401)	(678,960)
Net Loss	$ (5,562,274)	$ (5,586,585)	$(18,500,127)	$(14,977,825)
Net Loss Per Share				
- Basic and Diluted	$ (0.05)	$ (0.05)	$ (0.16)	$ (0.14)
Weighted Average Number of Common Shares Outstanding				
- Basic and Diluted	117,144,452	105,572,820	115,149,761	104,223,378

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

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

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Deficit	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	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
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)	3,473,633
Common stock issued pursuant to the equity financing:							
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)	$ 1,200,172

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

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

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

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Deficit	Equity
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

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

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

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

	For the Nine Months Ended September 30,	
	2023	2022
Cash Flows From Operating Activities:		
Net loss	$ (18,500,127)	$ (14,977,825)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	695,773	275,626
Non-cash lease expense	186,885	143,861
Loss on debt extinguishment	—	8,508
Depreciation and amortization expense	1,532,796	140,829
Gain on forgiveness of PPP loan and interest	—	(158,675)
Change in fair value of accrued issuable equity	(177,987)	(123,121)
Non-cash interest expense	—	576,932
Stock-based compensation	2,730,989	3,208,778
Changes in operating assets and liabilities:		
Accounts receivable	245,307	(1,208,646)
Inventory	410,636	(150,863)
Inventory deposits	194,227	(721,462)
Prepaid expenses and other current assets	667,705	(741,937)
Security deposits	50,213	—
Accounts payable	(103,457)	377,987
Accrued expenses and other current liabilities	1,003,244	248,301
Lease liability	(200,188)	(151,997)
Deferred revenue	370,934	(112,303)
Total Adjustments	7,607,077	1,611,818
Net Cash Used In Operating Activities	(10,893,050)	(13,366,007)
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)
Acquisition of intangible assets	(135,000)	—
Net Cash Used In Investing Activities	(993,699)	(2,772,568)
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
Proceeds from prepaid advance liability	2,000,000	10,573,068
Issuance costs on prepaid advance liability	(30,000)	(85,000)
Repayments of prepaid advance liability	(1,575,000)	—
Proceeds from notes payable [1]	—	4,750,000
Issuance costs on notes payable	—	(17,200)
Repayments of note payable	—	(1,000,000)
Payment of financing costs incurred in connection with the SEPA	—	(72,800)
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
Net Cash Provided By Financing Activities	2,720,501	17,444,137
Net (Decrease) Increase In Cash	(9,166,248)	1,305,562
Cash - Beginning of Period	10,333,563	14,863,301
Cash - End of Period	$ 1,167,315	$ 16,168,863

[1] Face value of $ 5,000,000 , less $ 250,000 original issue discount.

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

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

	For the Nine Months Ended September 30,	
	2023	**2022**
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 264,731	$ 676,281
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 satisfation of note payable	$ —	$ 150,000
Shares issued in satisfaction of prepaid advance liability and accrued interest	$ —	$ 274,658
Deposits applied to purchases of property and equipment	$ 2,716,057	$ —
Additions to property and equipment included in accounts payable	$ 195,072	$ 125,451
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	$ —

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

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

NOTE 1 ORGANIZATION, NATURE OF OPERATIONS AND RISKS AND UNCERTANTIES

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 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 and for the three and nine months ended September 30, 2023 and 2022. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the operating results for the full year ending December 31, 2023 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 and for the year then ended, which were filed with the Securities and Exchange Commission (“SEC”) on Form 10-K on March 28, 2023. The accompanying condensed consolidated balance sheet as of December 31, 2022 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, 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, the Company had cash of $ 1,167,315 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). For the nine months ended September 30, 2023, the Company incurred a net loss of $ 18,500,127 and used cash in operations of $ 10,893,050 .

The Company’s 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”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet future financial obligations as they become due within one year after the date that these financial statements are issued. The accompanying consolidated financial statements have been prepared on the basis that we will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business. However, since the Company’s inception we have had a history of recurring net losses from operations, recurring use of cash in operating activities and declining working capital.

KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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), the Company is required 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 of the Advance of $ 2,471,238 plus accrued interest as well as a 5 % cash payment premium on or before March 1, 2024. 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 raise substantial doubt about the Company's ability to meet its obligations as they become due within the twelve months from the date these condensed consolidated financial statements are issued.

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

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

As of the date of the issuance of these financial statements, the Company has no additional commitments to obtain additional funding through future 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 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 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 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 that potentially subject the Company to significant concentrations of credit risk consisted primarily of cash, accounts receivable, revenue and accounts payable.

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 and $ 9,833,451 as of September 30, 2023 and December 31, 2022, 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	
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		As of September 30,	As of December 31,
	2023	2022	2023	2022	2023	2022
Customer A	15 %	*	10 %	*	*	*
Customer B	*	*	*	*	*	34 %
Customer C	14 %	*	*	*	17 %	*
Customer D	*	24 %	*	23 %	*	*
Customer E	56 %	*	59 %	*	47 %	*
Customer F	*	67 %	*	58 %	*	61 %
Total	85 %	91 %	69 %	81 %	64 %	95 %

* 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 10% or more of our purchases for the three and nine months ended September 30, 2023 and 2022, are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Vendor A	25 %	65 %	11 %	83 %
Vendor B	*	*	11 %	*
	25 %	65 %	22 %	83 %

* Less than 10%

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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. 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. Finished goods inventory is held on-site at the Company's San Diego, California location. Certain raw materials are held off-site with our contract manufacturers.

Inventory at September 30, 2023 and December 31, 2022 consisted of the following:

	September 30, 2023	December 31, 2022
Raw materials	$ 261,956	$ 1,075,310
Work-in-process	—	2,977
Finished goods	1,289,443	883,748
Total inventory	$ 1,551,399	$ 1,962,035

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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- 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.

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 September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Product sales	$ 1,896,470	$ 1,369,857	$ 5,483,098	$ 2,100,120
Contract services	1,144,537	23,328	2,013,217	81,110
Total revenue	$ 3,041,007	$ 1,393,185	$ 7,496,315	$ 2,181,230

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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss attributable to common stockholders	$ (5,562,274)	$ (5,586,585)	$(18,500,127)	$(14,977,825)
Denominator (weighted average quantities):				
Common shares issued	120,704,579	107,402,727	118,146,547	106,271,765
Less: Treasury shares purchased	(131,162)	(131,494)	(131,162)	(122,944)
Less: Unvested restricted shares	(3,433,400)	(1,948,370)	(2,952,892)	(2,106,923)
Add: Accrued issuable equity	4,435	249,957	87,268	181,480
Denominator for basic and diluted net loss per share	117,144,452	105,572,820	115,149,761	104,223,378
Basic and diluted net loss per common share	$ (0.05)	$ (0.05)	$ (0.16)	$ (0.14)

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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).

Recently Issued Accounting Pronouncements

In August 2020, 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 financial statements issued for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year. Management does not expect the adoption of this pronouncement will have a material effect on the Company's financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Since June 2016, the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU on January 1, 2023, using the modified retrospective approach and it did not have a material impact on its 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 5 PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	September 30, 2023	December 31, 2022
Compensation costs	$ 500,000	$ 375,000
Dues and subscriptions	105,935	75,889
Marketing and sponsorships	95,698	574,636
Security Deposits (Note 10)	50,213	—
Deferred expenses	43,413	34,402
Conferences and seminars	42,878	—
Insurance	38,467	12,776
Professional fees	28,250	25,787
Vendor receivables	1,995	368,069
Research and development	—	62,329
Other	38,454	84,120
Total prepaid expenses and other current assets	$ 945,303	$ 1,613,008

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.

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NOTE 7 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	September 30, 2023	December 31, 2022
Professional fees	$ 1,645,354	$ 1,180,000
Payroll and vacation	498,581	464,453
Research and development	456,192	196,409
Legal fees	130,532	2,000
Inventory	111,863	58,804
Board compensation	61,250	122,500
Marketing and advertising fees	—	3,999
Subscriptions	—	65,000
Other	114,554	49,112
Total accrued expenses and other current liabilities	3,018,326	2,142,277
Add: Accrued interest, non-current	—	157,054
Total accrued expenses and other current liabilities	$ 3,018,326	$ 2,299,331

NOTE 8 ACCRUED ISSUABLE EQUITY

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

	For the Nine Months Ended September 30, 2023
Beginning Balance	$ 227,956
Additions	145,130
Deductions	(96,559)
Mark-to market	(177,987)
Ending Balance	$ 98,540

During the nine months ended September 30, 2023, 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 based on the quoted market prices of the shares.

The Company recorded (losses) gains in the aggregate amount of $(42,773) 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, respectively, related to changes in the fair value of accrued issuable equity (see Note 13 – Stockholders' Equity, *Stock-Based Compensation* for additional details). The fair value of the accrued but unissued shares as of September 30, 2023 was $ 98,540 , based on Level 1 inputs, which consist of quoted prices for the Company's common stock in active markets.

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NOTE 9 PREPAID ADVANCE LIABILITY

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

	Gross Amount of Prepaid Advance Liability	Original Issue Discount	Less: Debt Discount	Prepaid Advance Liability, 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	$ 5,650,000	$ 321,236	$ (60,831)	$ 5,910,405

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

On September 23, 2022, the Company entered into a Supplemental Agreement (the "Supplemental Agreement") to its Standby Equity Purchase Agreement (the "SEPA") 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 the closing of the Prepaid Advance, or (b) 95 % of the lowest VWAP during the three days immediately prior to the Investor Notice.

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

On August 16, 2023, and as amended on August 23, 2023 and August 30, 2023, 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 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.

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.

During the three and nine months ended September 30, 2023, operating lease expenses were $ 67,838 and $ 199,584 , respectively. During the three and nine months ended September 30, 2022, operating lease expenses were $ 57,522 and $ 188,854 , respectively. As of September 30, 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		103,432
Total future minimum lease payments	$	175,679
Less: amount representing imputed interest		(3,110)
Present value of lease liabilities	$	172,569
Less: current portion		(172,569)
Lease liabilities, non current portion	$	—

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

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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 no t 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.

NOTE 13 STOCKHOLDERS' EQUITY

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

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

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

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 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.

See Note 9 – 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 months ended September 30, 2023, the Company issued an aggregate of 232,600 shares of immediately vested common stock with a grant date value of $ 144,480 for legal services.

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

Stock Options

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 weighted average assumptions:

	For The Three Months Ended September 30,		For The Nine Months Ended 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 %

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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.

A summary of options activity during the nine months ended September 30, 2023 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2023	640,216	$ 1.72		
Granted	325,000	0.87		
Exercised	—	—		
Expired	—	—		
Forfeited	(10,000)	2.08		
Outstanding, September 30, 2023	955,216	$ 1.43	2.9	$ —
Exercisable, September 30, 2023	350,036	$ 1.07	1.3	$ —

The following table presents information related to stock options as of September 30, 2023:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
$ 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
	955,216	1.3	350,036

As 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 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:

	Shares of Restricted Common Stock	Weighted Average Grant Date Fair Value
Non-vested RSAs, January 1, 2023	2,042,500	$ 2.50
Granted	2,218,508	0.96
Vested	(715,000)	2.42
Forfeited	(75,000)	2.08
Non-vested RSAs, September 30, 2023	3,471,008	$ 1.54

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

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

Restricted Stock Units

The following table presents information related to restricted stock units ("RSUs") as of September 30, 2023:

	Shares of Restricted Common Stock	Weighted Average Grant Date Fair Value
Non-vested RSUs, January 1, 2023	3,000,000	$ 2.05
Granted	—	—
Vested	—	—
Forfeited	—	—
Non-vested RSUs, September 30, 2023	3,000,000	$ 2.05

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.

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

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
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)	—	—	—
Amortization of stock options	56,067	23,959	140,983	66,377
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
Total	$ 846,633	$ 922,311	$ 2,730,989	$ 3,208,778

NOTE 14 SUBSEQUENT EVENTS

Common Stock

On October 6, 2023, the Company issued 273,723 shares of immediately vested common stock with a value of $ 109,489 as equity consideration pursuant to the terms of an agreement (the “Asset Purchase Agreement”) executed on October 6, 2022.

Prepaid Advance Liability

On November 7, 2023, the Company 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.

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

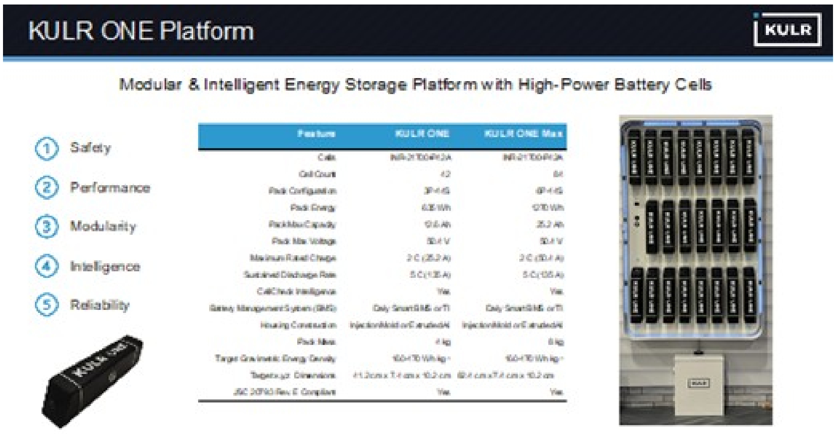
The following discussion and analysis of the results of operations and financial condition of KULR Technology Group, Inc. ("KULR") and its wholly-owned subsidiary, KULR Technology Corporation ("KTC") (collectively referred to as "KULR" or the "Company") as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 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, except as disclosed elsewhere in this Quarterly Report.

Overview

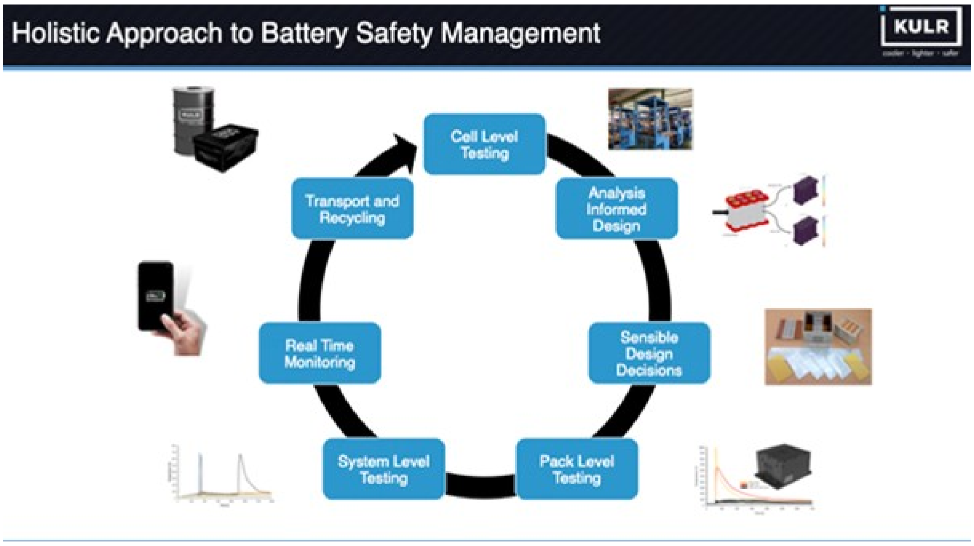
KULR Technology Group develops and commercializes an energy management platform to accelerate the global transition to a sustainable electrification economy. This energy management platform consists of high-performance thermal management technologies for batteries and electronics, AI-powered battery management and vibration mitigation software solutions, and reusable energy storage modules. Our mission is 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.

KULR ONE and KULR ONE Design Solutions (K1DS)

The KULR ONE family of battery packs represent a groundbreaking innovation that is driving the world's transition to a more sustainable electrification economy. These revolutionary designs offer a unique combination of cutting-edge features, including unparalleled safety, exceptional performance, intelligent functionality, modular construction, reliability, and customizability. The KULR ONE battery packs have been engineered to meet the exacting demands of the world's most demanding applications. They 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. 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 the KULR ONE packs also allows for real-time monitoring and optimization of battery performance, ensuring optimal efficiency and longevity. 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 is at the forefront of the global drive towards sustainable electrification. With its unparalleled combination of safety, performance, intelligence, modularity, reliability, and customizability, KULR ONE is positioned to revolutionize the way we think about energy storage and powering the world's most demanding applications.



KULR's holistic suite 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.



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 the most challenging issues with advanced machinery today; excessive energy robbing vibrations that are destructive to both the machinery and in many cases the operator. The KULR VIBE suite of technologies utilize proprietary sensor processes with advanced learning algorithms to both achieve precision balancing solutions, and successfully predict component failure based on its comprehensive database of vibration signatures. Its enhanced AI learning algorithms pinpoint areas where excess vibrations cause a loss of energy that can lead to system malfunctions, weakened performance, and maintenance issues.

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

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

The Future is Energy + AI

We believe the future of KULR is Energy + AI. We are building our AI infrastructure on industry leading Nvidia and AMD semiconductor platforms, and they are hosted on a hybrid of private cloud and Microsoft Azure. As the world faces shortages in supply of raw materials to produce enough Li-ion batteries to power everything from EV’s to smartphones, KULR is developing a modular battery storage architecture that can be used across multiple applications with real-time monitoring by AI-powered CellCheck. 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

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

Equity Financing

On September 15, 2023, the Company completed a public offering of 8,214,285 shares of common stock, priced at $0.35 per share, with gross proceeds of $2,875,000 less issuance costs of $588,230, for net proceeds of $2,286,770. See Note 13 – Stockholders’ Equity – Common Stock for further details.

Liability Repayment

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. See Note 9 - Prepaid Advance Liability for further details.

Results of Operations

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

Revenue

Our revenues consisted of the following contract types:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Product sales	$ 1,896,470	$ 1,369,857	$ 5,483,098	$ 2,100,120
Contract services	1,144,537	23,328	2,013,217	81,110
Total revenue	$ 3,041,007	$ 1,393,185	$ 7,496,315	$ 2,181,230

For the three months ended September 30, 2023 and 2022, we generated $3,041,007 and $1,393,185 of revenues from 18 and 16 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%.

Revenue from product sales during the three months ended September 30, 2023 increased by $526,613 or 38% compared to the three months ended September 30, 2022. 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 sales of our component product and internal short circuit (“ISC”) battery cells and devices.

Revenue from contract services during the three months ended September 30, 2023 increased by $1,121,209 compared to the three months ended September 30, 2022. 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.

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 and unpredictable, which can influence the timing, consistency and reporting of sales growth.

Cost of Revenue

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

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

For the three months ended September 30, 2023 and 2022, cost of revenue was $1,703,553 and $932,364, respectively, representing an increase of $771,189, or 83%. The increase corresponds to the increase in our revenue during the period. The gross margin percentage was 44% and 33% for the three months ended September 30, 2023 and 2022, respectively. The gross margin percentage increased due to the increase in higher margin revenue from contract services.

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-areal-capacity battery electrodes, 3D engineering for a rechargeable battery and related non-cash stock-based compensation expenses. Research and development expenses are charged to operations as incurred.

For the three months ended September 30, 2023 and 2022, R&D expenses were $1,640,959 and $1,069,852, respectively, representing an increase of $571,107, or 53%. The increase during 2023 was comprised primarily of $515,634 related to planned increases in headcount in order to build future capacity, and $28,380 related to an increase in employee stock-based compensation 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 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.

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

Selling, General and Administrative

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

For the three months ended September 30, 2023 and 2022, selling, general and administrative expenses were $4,793,523 and $4,349,373, respectively, an increase of $444,150, or 10%. The increase is primarily due to increases in depreciation and amortization expense 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 a decrease in marketing and advertising expenses of $416,140, and a decrease of $252,557 in 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

For the three months ended September 30, 2023 and 2022, net other expense was $465,246 and $628,181, respectively, representing a decrease of $162,935, or 26%. The change is primarily attributable to a $383,276 decline in interest expense primarily related to a note payable that was paid in 2022 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 to a $383,441 increase in interest expense primarily related to the prepaid advance liability that was entered into in September 2022, partially offset by a $158,675 decline in PPP loan forgiveness.

Liquidity and Capital Resources

As of September 30, 2023 and December 31, 2022, we had cash balances of $1,167,315 and $10,333,563, respectively, and working capital (deficit) of $(6,355,104) and $6,055,477, respectively.

For the nine months ended September 30, 2023 and 2022, cash used in operating activities was $10,893,050 and $13,366,007, respectively. Our cash used in operations for the nine months ended September 30, 2023 was primarily attributable to our net loss of $18,500,127, 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 of net cash used to fund changes in the levels of operating assets and liabilities.

For the nine months ended September 30, 2023 and 2022, cash used in investing activities was $993,699 and $2,772,568, respectively. Cash used in investing activities during the nine months ended September 30, 2023 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 used in investing activities during the nine months ended September 30, 2022 was related to deposits paid for equipment of $2,198,626 and purchases of property and equipment of $573,942.

For the nine months ended September 30, 2023 and 2022, cash provided by financing activities was $2,720,501 and $17,444,137, respectively. Cash provided by financing activities during the nine months ended September 30, 2023 was due to the proceeds from a public offering of $2,875,000 and a second Prepaid Advance of $2,000,000, partially offset by 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 provided by financing activities during the nine months ended September 30, 2022 was due to 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.

Future cash requirements for our current liabilities include $5,971,238 for Prepaid Advances, $4,831,517 for accounts payable and accrued expenses and $172,569 for future payments under operating leases. 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. There are no 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 and from future revenues.

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, the Company paid an aggregate of $1,839,731 owed in connection with our prepaid advance liability consisting of $1,500,000 of principal, $264,731 of interest and $75,000 of payment premium costs. Pursuant 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, and March 1, 2024, respectively. As of the date of these financial statements, we have no commitments to obtain additional funding. These factors raise substantial doubt about our ability to continue as a going concern. The condensed consolidated 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.

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.

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 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 within this Quarterly Report for a summary of recently issued but not yet effective accounting pronouncements.

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 the quarter ended September 30, 2023, we concluded that the preventative controls that we established around electronic payments (wires, EFT’s, ACH’s and credit card payments) were operating effectively and would ensure proper segregation of duties, thus remediating our prior material weakness related to the electronic payment process.

Inherent Limitations of the Effectiveness of Controls

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

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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, 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.

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)*

* Filed herewith.

** Furnished herewith.

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	By:	/s/ Michael Mo
		Michael Mo
		Chief Executive Officer
		(Principal Executive Officer)
Dated: November 14, 2023	By:	/s/ Shawn Canter
		Shawn Canter
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

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):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Dated: 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:

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):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Dated: November 14, 2023

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, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

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

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

Dated: November 14, 2023	By: /s/ Michael Mo Michael Mo Chief Executive Officer (Principal Executive Officer)
Dated: November 14, 2023	By: /s/ Shawn Canter Shawn Canter Chief Financial Officer (Principal Financial and Accounting Officer)