

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

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2020**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from [ ] to [ ]

Commission file number 000-55564

**KULR TECHNOLOGY GROUP, INC.**

(Name of small business issuer in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

81-1004273

(IRS Employer  
Identification Number)

**1999 S. Bascom Ave. Suite 700. Campbell, CA 95008**

(Address of Principal Executive Offices)

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

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

None

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

**Common Stock, Par Value \$0.0001**

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of common stock held by non-affiliates of the registrant was \$86,305,522 based on the closing price of \$1.95 as of that date.

As of March 18, 2021, there were 92,627,200 shares of the issuer's common stock, par value \$0.0001 per share, issued and outstanding.

Documents incorporated by reference: None.

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

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

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

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

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

- new competitors are likely to emerge and new technologies may further increase competition;
- our operating costs may increase beyond our current expectations and we may be unable to fully implement our current business plan;
- our ability to obtain future financing or funds when needed;
- our ability to successfully obtain and maintain a diverse customer base;
- our ability to protect our intellectual property through patents, trademarks, copyrights and confidentiality agreements;
- our ability to attract and retain a qualified employee base;
- our ability to respond to new developments in technology and new applications of existing technology before our competitors;
- acquisitions, business combinations, strategic partnerships, divestures, and other significant transactions may involve additional uncertainties;
- our ability to maintain and execute a successful business strategy; and
- regardless of these factors the recent emergence of the COVID-19 virus pandemic has created global restrictions on travel and meetings, temporary but unlimited closure of businesses and business activities, major economic uncertainties leading to unemployment, loss of customers and suppliers, and reluctance of business management to make critical commitments and, instead, conserve cash. At this stage, we are unable to make any reasonable forward-looking statements due to the unprecedented business uncertainty.

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

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## **PART I**

### **ITEM 1. BUSINESS**

#### **Overview**

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

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

Battery safety technology is becoming increasingly vital to our world in which battery-operated devices are everywhere. Li-ion batteries are widely used in consumer electronics, aerospace, marine and automotive applications. In recent months, KULR has developed a total battery safety solution for its customers that spans a wide array of industries and applications. KULR has seen great success in using our patented thermal runaway shield (“TRS”) technology to prevent cell to cell thermal runaway propagation as well as module to module propagation. We have designed a total solution for customers from the design stages incorporating our materials all the way to testing their passive propagation resistant (“PPR”) battery packs. We are flexible and can work with different battery pack configurations across various industries. We developed a PPR reference design for CubeSat battery in December 2019. Based on this reference design platform, we were awarded a dual-use technology development agreement from NASA’s Marshall Space Flight Center to build 3D printed battery systems for manned and robotic space applications in August 2020. Our research and testing, as well as working alongside battery experts at NASA Johnson Space Center, has positioned us for further advancements at the forefront of battery safety.

Hundreds of millions of Li-ion cells are produced and transported annually and even those packaged to prevent external shorting can still experience thermal runaway (“TR”) due to internal shorts, caused by latent defects, when fully charged. In these dangerous cases, a torch-like fire is released as energy escapes from the cell and sends nearby cells into TR resulting in a large fire. As part of our total battery safety solution, we have designed a bag out of our TRS material to suppress the flames and prevent the TR event. Suitably placed, the TRS provides a means of protection not only from adjacent batteries but also outside fires of arbitrary origin. Experts at NASA’s Propulsion & Power Division found our TRS successful at extinguishing the fire generated by cells when they intentionally triggered the batteries into dangerous failures. Our TRS bag is currently being used on the International Space Station (“ISS”) through a project with Leidos, for storing laptop batteries in order to reduce the risk of TR.

Another key element of our battery safety solution is KULR internal short circuit (“ISC”) device and trigger cells which are used for cell testing and screening. Our patented ISC device, licensed from NASA/NREL, can be inserted by OEMs or manufacturers into cells to mimic failure conditions in a cell. Once the trigger device is placed inside the cell, it can be intentionally triggered on demand causing the cell to short circuit. Currently, we provide ISC devices to OEMs and cell manufacturers, as well as ready-made ISC trigger cells to customers to identify failure modes and safety issues within their systems. Currently we are creating an ecosystem based on our technology which can be applied to different battery architectures and chemistries.

Our management believes that within commercial markets, aerospace and defense, and high-value applications, cell safety testing and screening has become a topic of focus. Therefore, we plan to expand our capabilities to include full battery analysis and testing as outlined by NASA Johnson Space Center. We plan to fully incorporate this into our holistic approach to battery safety along with our PPR battery pack design and testing services, ISC device and trigger cell products and TRS bags. With increasing regulations and pressure from government bodies to mitigate the dangers of battery fires and TR, we plan to further develop our capabilities in this arena.

Our management expects high growth in the aerospace and defense sectors, specifically in regards to hypersonic vehicle programs, space missions and directed energy programs. Thermal management is a critical component of both hypersonic weapons programs and space missions. Our carbon fiber solutions are used for thermal management in missile defense programs and are particularly effective because of their survivability at very high temperatures. They are also very effective at transferring heat and mitigate the risk of overheating in such high-risk environments. Historically we have provided value to this sector and we expect to further develop our relationships with the Airforce Research Lab, the Naval Research Lab and prime contractors to market our solutions. Directed energy is currently in the spotlight as experts predict it will greatly impact the future of national security. Our CRUX cathode generates powerful electron pulses by field emission from the tops of our carbon fiber coating and has the potential to further develop the current technology.

In addition to evolving demands led by aerospace and defense, we have observed trending manufacturer-led opportunities in industries such as electric motor vehicles (“EV”) that have become increasingly more reliant on the Cloud, portability and high-demand processing power. KULR’s high performance thermal interface materials can be used to accelerate 5G communications development due to our material’s core properties: high thermal conductivity, light weight, and low contact pressure. 5G is one of the biggest opportunities going forward for transportation technology and we plan to take part in testing of digital and RF tests for 5G. Testing is still in early phases for both digital and RF communication chips, however, we are seeing a big growth opportunity for thermal management for 5G. Cloud computing is also an application of interest since high power communications chips and optical communication modules require cooling.

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

## Corporate

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

Our wholly-owned subsidiary, KULR Technology Corp, was formed in 2013 and is based in San Diego California. Since its inception, KTC primarily focused on developing and commercializing its thermal management technologies, which it acquired through assignment from and license with KTC’s co-founder Dr. Timothy Knowles. Prior to 2013, KTC’s technologies were used in numerous advanced space and industrial applications for NASA, Boeing, and Raytheon. A few notable achievements were the use of KTC’s technologies in the X-31 aircraft (battery heat sink), Mercury Messenger (battery heat sink), and X-51 Scramjet (heat exchanger).

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

The Share Exchange was accounted for as a reverse recapitalization in accordance with generally accepted accounting principles in the United States of America, with KTC being treated as the acquiring company for accounting purposes. Accordingly, the financial statements included in this Annual Report reflect the assets, liabilities and historical results of KTC prior to the completion of the Share Exchange.

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

On December 4, 2018, KULR filed a definitive Information Statement on Form 14C (the “December Information Statement”), giving notice to KULR’s shareholders that on November 5, 2018, KUTG executed a written consent in lieu of shareholder meeting authorizing KULR to: (i) amend KULR’s Articles of Incorporation to increase the number of authorized shares of common stock from 100,000,000 shares of common stock to 500,000,000 shares of common stock; (ii) adopt and ratify the KULR Technology Group 2018 Equity Incentive Plan and (iii) ratify the authorization of the issuance of 1,000,000 shares (the “Voting Preferred Shares”) of Series A Voting Preferred Stock to Michael Mo, KULR’s Chief Executive Officer. On December 28, 2018, twenty (20) days after the mailing date of the December Information Statement, KUTG was deemed authorized by ratifying vote of its majority shareholders and the authorization granted by its Board of Directors to issue the Voting Preferred Shares, which KULR has not but expects to do in the near future. On December 31, 2018, KULR filed a certificate of amendment with the Secretary of State of the State of Delaware, to increase the number of authorized shares of its common stock from 100,000,000 to 500,000,000. As a result, the aggregate number of the Company’s authorized capital stock became 520,000,000 shares.

## Recent Developments

### COVID-19

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. Through the first quarter of 2020, the disease became widespread around the world, and on March 11, 2020, the World Health Organization declared a pandemic. Our business is dependent on developing new markets and new products to be used on a global basis, thus restrictions on travel could lead to reduced demand for our products and interruptions to supply chains. Also, the local regulations such as “Shelter in Place” will affect our ability to maintain regular R&D and manufacturing schedules as well as the capability to meet customer demands in a timely manner. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows, or financial condition.

### Standby Equity Distribution Agreement and Notes Payable

On February 27, 2020, we entered into a Standby Equity Distribution Agreement (“SEDA”) with YAII PN, Ltd., a Cayman Island exempt limited partnership (“YAII”). Under the terms of this Agreement, the Company raised an aggregate of \$2,292,695 from the facility. As of December 31, 2020, the Company had approximately \$5,707,000 available in connection with the SEDA, however, so long as warrants issued on December 31, 2020 in an unrelated transaction remain outstanding, the Company may not issue shares in connection with variable rate transactions. During the year ended December 31, 2020, the Company issued notes to YAII in the aggregate amount of \$4,000,000, of which the Company repaid principal on the notes in the aggregate amount of \$1,550,000 (\$791,000 was repaid from proceeds from the SEDA). Subsequent to December 31, 2020, the Company repaid principal on the notes in the aggregate amount of \$1,050,000.

### Registered Direct Offering

On December 31, 2020, we closed a registered direct offering conducted pursuant to a securities purchase agreement (“Purchase Agreement”) with the purchasers set forth on the signature page thereto (the “Purchasers”) for the purchase and sale of an aggregate of 6,400,001 shares of our common stock (the “Shares”), and warrants to purchase an aggregate of up to 6,400,001 shares of common stock (“Warrants”), at a combined purchase price of \$1.25 per Share and Warrant. The aggregate gross proceeds to us were equal to approximately \$8 million. The Warrants are immediately exercisable and may be exercised at any time until December 31, 2025, at an exercise price of \$1.25 per share. Lake Street Capital Markets, LLC and Maxim Group LLC acted as co-placement agents in connection with the registered direct offering. We paid the co-placement agents a cash fee of 7.0% of the gross proceeds we received under the Purchase Agreement. We also reimbursed the co-placement agents for certain out-of-pocket accountable expenses incurred by them in connection with this offering of \$50,000. We paid total approximate offering expenses, other than the placement agent fees, of approximately \$170,000, which includes the co-placement agents’ reimbursable expenses, legal, financial advisory fees, accounting, printing costs, listing fees, and various other expenses associated with registering and issuing the shares. We intend to use the net proceeds from this offering for capital expenditures, as well as for working capital and general corporate purposes.

The Shares and Warrants (and underlying shares) were offered, and will be issued, pursuant to the Prospectus Supplement, dated December 29, 2020, to the Prospectus included in our Registration Statement on Form S-3 (Registration No. 333- 232614) filed with the Securities and Exchange Commission on July 11, 2019 and declared effective on August 1, 2019.

### Appointment of Keith Cochran

On March 8, 2021, our Board of Directors (the “Board”) appointed Keith Cochran as President and Chief Operating Officer of the Company, to hold office until the earlier of the expiration of the term of office, a successor is duly elected and qualified, or the earlier of such officer’s death, resignation, disqualification, or removal.

As compensation for his services as President and Chief Operating Officer of the Company, Mr. Cochran will receive: (1) a salary of \$250,000 per annum and commensurate benefits; (2) 2,000,000 restricted shares of the Company’s common stock, which shares shall vest, so long as Mr. Cochran remains employed by the Company, in four (4) equal yearly installments, with the first installment amount to vest on March 1, 2022 and annually thereafter; and (3) eligibility, also subject to Mr. Cochran’s continued employment with the Company, for incentive based grants of up to 1,500,000 shares, which shall be earned upon the Company achieving certain market capitalization milestones.

### Appointment of Independent Directors

On February 20, 2021, the Board, contingent upon the Company's common stock being approved for uplisting to a national exchange, approved the appointment of Morio Kurosaki as an independent member of the Board. Mr. Kurosaki will also serve as chair of the Audit Committee. As such, the Board has determined that Mr. Kurosaki is a financial expert within the meaning of SEC regulations. Additionally, Mr. Kurosaki will serve as a member of both the Compensation Committee and the Nominating and Governance Committee.

In connection with his appointments, Mr. Kurosaki will be compensated (1) \$10,000 per quarter, beginning on and subject to approval for uplisting, and (2) 20,000 restricted shares of the Company's common stock, which shares shall vest equally in 5,000 share increments per quarter beginning on and subject to approval for uplisting.

On February 20, 2021, the Board, contingent upon the Company's common stock being approved for uplisting to a national exchange, approved the appointment of Stayce D. Harris as an independent member of the Board. Ms. Harris will also serve as chair of the Compensation Committee. Additionally, Ms. Harris will serve as a member of both the Audit Committee and the Nominating and Governance Committee.

In connection with her appointments, Ms. Harris will be compensated (1) \$10,000 per quarter, beginning on and subject to approval for uplisting, and (2) 20,000 restricted shares of the Company's common stock, which shares shall vest equally in 5,000 share increments per quarter beginning on and subject to approval for uplisting.

On February 20, 2021, the Board, contingent upon the Company's common stock being approved for uplisting to a national exchange, approved the appointment of Joanna D. Massey as an independent member of the Board. Ms. Massey will also serve as chair of the Nominating and Governance Committee. Additionally, Ms. Massey will serve as a member of both the Audit Committee and the Compensation Committee. .

In connection with her appointments, and subject to the receipt of her acknowledgment of the same, Ms. Massey will be compensated (1) \$10,000 per quarter, beginning on and subject to approval for uplisting, and (2) 20,000 restricted shares of the Company's common stock, which shares shall vest equally in 5,000 share increments per quarter beginning on and subject to approval for uplisting.

### Conversion of Series C Preferred Stock

During the year ended December 31, 2020, KULR issued an aggregate of 56,778 shares of our common stock upon voluntary conversions of 5.11 shares of our Series C Preferred Stock.

Effective as of December 31, 2020, KULR issued an aggregate of 177,885 shares of our common stock and warrants to purchase an aggregate of 177,885 shares of our common stock at an exercise price of \$1.25 per share, upon a deemed automatic conversion of 18.90 shares of our Series C Preferred Stock, after which there remained no further Series C Preferred Stock outstanding. Although the conversion shares were issued subsequent to the deemed automatic conversion, in connection with a registered direct offering that closed on December 31, 2020, the conversions were made effective as of December 31, 2020 pursuant to an automatic conversion feature of the Series C Preferred Stock under which the stated value of each share was converted into the same securities issued in the registered direct offering at an effective conversion price of 85% of the aggregate purchase price of such securities.

### Conversion of Series B Preferred Stock

During the year ended December 31, 2020, KULR issued an aggregate of 25,758 shares of our common stock upon conversion of 515 shares of our Series B Preferred Stock.

Subsequent to the year ended December 31, 2020, KULR issued an aggregate of 698,600 shares of our common stock upon conversion of 13,972 shares of our Series B Preferred Stock, after which there remained no further Series B Preferred Stock outstanding.

### **Market Opportunity and Strategy**

#### ***Market***

The world of electronics continues to become more and more demanding and performance driven. The increasing demand for reliability of microelectronics and Li-ion batteries has pushed thermal management to the forefront of many industries. We target our solutions to serve the following markets and applications: PPR battery design, Battery Storage and Transportation, Electrical Transportation, 5G Mobile and Cloud Computing Infrastructure, Aerospace and Defense.



*Lithium-Ion Battery, Energy Storage and Battery Transportation Market.* According to Prescient & Strategic Intelligence, Li-ion battery market was valued at \$34 billion in 2018, the global Li-ion battery market is projected to surpass \$106 billion by 2024, witnessing a CAGR of 21.8% between 2019 and 2024. The stationary battery storage market is forecasted to ramp from \$11 billion in 2018 to \$170 billion by 2030, according to a 2019 Global Market Insights, Inc. report. Favorable regulatory policies pertaining to sustainable energy technologies coupled with upsurge in investments toward large scale storage units with increased power output will drive the market size.

According to Market Research Future, the global thermal management market is expected to reach approximately \$15 billion by end of 2023 with 7% compound annual growth rate during the forecast period from 2017 to 2023. According to the report, in recent years, electronic devices and systems have undergone tremendous technological growth. Advancements in the electronics industry have led to an increased need for innovative thermal management technologies, which serve to improve performance and reliability. The report states that technological progress has come on two fronts: increased functionality on a single device unit and miniaturization of each unit. As a result, there has been an increased demand for thermal management technologies. The report analyzes the thermal market by four segments, including hardware, software, interfaces, and substrates.

*Electrical Transportation Market.* According to Frost & Sullivan’s recently released “Global Electric Vehicle Market Outlook EV industry will need to overcome major challenges related to battery technology and charging infrastructure, both of which have fallen far short of the pace set by global EV sales.

*5G Mobile Computing Market.* The next generation mobile computing platform, also known as the “5G” mobile wireless standard, presents new challenges and demands to improve the performance and reliability of mobile infrastructures and consumer devices. According to the IHS Markit’s global study, in 2035, when 5G’s full economic benefit should be realized across the globe, a broad range of industries – from retail to education, transportation to entertainment, and everything in between – could produce up to \$12.3 trillion worth of goods and services enabled by 5G.

*Cloud Computing Market.* A key area of cloud computing is optical data transfer and communications connections and lines. Optical data is faster and more efficient and, as cloud computing banks move to acquire and utilize optical data, thermal management will play a pivotal role in maintaining the peak performance and safety of these expensive and highly sensitive computer connections. The processing demands of artificial intelligence (“AI”) technology in the cloud requires advanced thermal management solutions for processors and memory modules.

*Space Exploration and Communications Market.* Demand for nano-satellites and re-usable launch vehicle systems is anticipated to be driven by the massive investment made by governments and private enterprises. The overall trend in space investment is stable financially but explosive numerically, providing vastly more opportunity for space technology providers. Increasingly, investments in space exploration and commercialization are being led by well-funded private companies with most focused-on satellite development and deployment. KULR’s heritage in space thermal management technology positions us well in this market.

We believe KULR’s technology solution excels in a number of categories important in the world of thermal management. KULR’s proprietary carbon fiber-based solutions are generally more thermally conductive, lighter weight, require less contact pressure, and offer greater design flexibility and durability compared to traditional solutions. As a result, we believe KULR has real potential to offer a unique value proposition to customers in the multibillion-dollar thermal management industry. KULR aims to provide cost-effective, superior thermal management solutions for a group of electronic manufacturers.

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

The Company markets and sells products and solutions directly to customers. We believe that our direct relationship with end customers allows us to have more in-depth technical interactions with our customers and faster turnaround time. We market to our customers through our website, industry conferences, and industry market research reports. In 2021, we plan to expand our sales network by working with sales agents and distributors for more mature and off-the-shelf products such as FTI and Cathode products. For PPR design service, we will continue to work with customers directly.

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

We plan to utilize all forms of advertising and communications tools at our disposal. This includes commissioning unbiased white papers and technical papers, attending, sponsoring, and guest speaking at industry events, conferences, and symposiums. We have hired a public relations consultant who will oversee our press releases and media relations interface with newspapers, magazines, and blogs. We have also hired a SEO specialist for social media outreach activities and will also rely on the company’s pedigree within the thermal management community to spread high praise via word of mouth. To date, as a result of these efforts, we have been mentioned in WSJ, Cheddar TV, CNBC, Forbes, EETimes, USA Today, Business Insider and others.

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

Our intellectual property strategy includes pursuing patent protection for new innovations in core carbon fiber architecture development, application development, acquisition of intellectual property, and licensing of third-party patents and intellectual property. As of December 31, 2020, we have eight pending nonprovisional and provisional patent applications and we have four patents granted and assigned to KULR. We also have an exclusive license to four third party patents.

## ***Product and Services***

Our heat management products and services can be divided into the following categories, subcategories and functionalities:

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

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

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

**HYDRA TRS Battery Storage Bag**: KULR developed the HYDRA TRS Bag to safely store and transport Li-ion batteries in partnership with NASA Johnson Space Center for the International Space Stations. Between January and June 2019 experts with NASA’s Propulsion & Power Division tested storage and use of rechargeable lithium-ion laptop batteries. The tests intentionally triggered the batteries into dangerous failures in order to study what storage methods may stop battery fires from spreading battery to battery in thermal runaway propagation. As a result, KULR TRS bags are currently in service on the International Space Station for storage of spare laptop batteries, having flown November 2, 2019 on the CRS2 NG-12 resupply mission. KULR is developing a commercial version for mass market applications.

**Internal Short Circuit (“ISC”) Device**: In March 2018, KULR reached an agreement with the National Renewable Energy Laboratory (“NREL”), a national laboratory of the U.S. Department of Energy, to be the exclusive manufacturing and distribution partner for the patented ISC device, which causes predictable battery cell failures in Li-ion batteries, making them easier to study and, therefore, safer. Li-ion batteries are the industry and consumer standard for portable power; billions of individual battery cells exist and billions more are planned for production. They provide power for everything from smart phones and laptops to electric cars and space crafts. But Li-ion batteries fail, sometimes with catastrophic results. Due to the relative rarity of cell failures, scientists and researchers had been unable to reliably or accurately replicate latent defect cell failures in lab settings, impeding research into safer battery technology. In 2020, KULR has produced and sold both ISC devices and ISC trigger cells to customers.

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

## **Competition**

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

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

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

## **Governmental Regulation and Environmental Compliance**

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

## **Employees**

As of December 31, 2020, we had 9 employees and 4 consultants. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes.

## **Intellectual Property**

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyright, trademarks and trade secrets. We have, and will continue to, file applications for and/or obtain patents, copyrights and trademarks in the United States and selected foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by implementing organizational nondisclosure policies and through the use of appropriate confidentiality agreements. As of December 31, 2020, we held four U.S. patents and eight non-provisional pending U.S. patent applications with expiration dates ranging from 2022 to 2035. In addition, KULR has exclusive license on four patents from its partnerships. There can be no assurance, however, that the rights obtained can be successfully enforced against infringing products in every jurisdiction. While our patents, copyrights, trademarks, and trade secrets provide some advantage and protection, we believe our competitive position and future success is largely determined by such factors as the system and application knowledge, innovative skills, technological expertise and management ability and experience of our personnel; the range and success of new products being developed by us; our market brand recognition and ongoing marketing efforts; and customer service and technical support. We also have trademarks that are used in the conduct of our business to distinguish genuine KULR products; KULR has been granted trademarks for Class 9 and Class 17 applications.

## **ITEM 1A. RISK**

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

## **Risks Related to Our Business and Our Industry**

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

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

Many of the Company's products represent new products that have not yet been fully tested in commercial product settings and for which manufacturing operations have not yet been fully scaled. This means that investors are subject to all the risks incident to the creation and development of multiple new products and their associated manufacturing processes, and each investor should be prepared to withstand a complete loss of their investment.

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

We have no sustainable base of products approved for commercial use by our customers, have never generated significant product revenues and may never achieve sufficient revenues for profitable operations, which could cause us to cease operations.

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

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

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

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

We have limited experience manufacturing our products. We have established small-scale commercial or pilot-scale production facilities for our carbon-based thermal management products, but these facilities do not have the existing production capacity to produce sufficient quantities of materials for us to reach sustainable sales levels. In order to develop the capacity to produce much higher volumes, it will be necessary to produce multiples of existing processes or engineer new production processes in some cases. There is no guarantee that we will be able to economically scale-up our production processes to the levels required. If we are unable to scale-up our production processes and facilities to support sustainable sales levels, the Company may be forced to curtail or cease operations.

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

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

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

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

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

We are subject to customer concentration risk as a result of our reliance on a relatively small number of customers for a significant portion of our revenues. For 2020, we had 2 customers whose purchases accounted for 50% of total revenues. Due to the nature of our business and the relatively large size of many of the applications our customers are developing, we anticipate that we will be dependent on a relatively small number of customers for the majority of our revenues for the next several years. It is possible that only one or two customers could place orders sufficient to utilize most or all of our existing manufacturing capacity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A patent owner may claim that we are making, using, selling or offering for sale an invention covered by the owner's patents and may go to court to stop us from engaging in such activities. Such litigation is not uncommon in our industry. Patent lawsuits can be expensive and would consume time and other resources. There is a risk that a court would decide that we are infringing a third party's patents and would order us to stop the activities covered by the patents, including the commercialization of our products. In addition, there is a risk that we would have to pay the other party damages for having violated the other party's patents (which damages may be increased, as well as attorneys' fees ordered paid, if infringement is found to be willful), or that we will be required to obtain a license from the other party in order to continue to commercialize the affected products, or to design our products in a manner that does not infringe a valid patent. We may not prevail in any legal action, and a required license under the patent may not be available on acceptable terms or at all, requiring cessation of activities that were found to infringe a valid patent. We also may not be able to develop a non-infringing product design on commercially reasonable terms, or at all.

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

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

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

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

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

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

Any increase in the prices of our raw materials or energy might affect the overall cost of our products. If we are not able to raise our prices to pass on increased costs to our customers, we would be unable to maintain our existing profit margins. Our major cost components include items such as production materials and electricity, which items are normally readily available industrial commodities. During our history as a business, we have not seen any material impact (as defined by GAAP) on our cost structure from fluctuations in raw material or energy costs, but this could change in the future.

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

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

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

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

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

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

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

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

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

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

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

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

Our management identified weaknesses in our internal controls, as described in Item 9A here within. Our internal control over financial reporting may still or could in the future have weaknesses and conditions that could require correction or remediation, the disclosure of which and continued existence of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

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

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

### **Risks Relating to Our Common Stock**

***The price of our common stock is volatile and fluctuations in our operating results and announcements and developments concerning our business affect our stock price, which may cause investment losses for our stockholders.***

The market for our common stock is highly volatile and the trading price of our stock quoted on the OTCQB is subject to wide fluctuations in response to, among other things, operating results, the number of stockholders desiring to sell their shares, changes in general economic conditions and the financial markets, the execution of new contracts and the completion of existing agreements and other developments affecting us. In addition, statements or changes in opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to our market or relating to us could result in an immediate and adverse effect on the market price of our common stock. The highly volatile nature of our stock price may cause investment losses for our shareholders. In the past, securities class action litigation has been brought against companies following periods of volatility in the market price of their securities. If securities class action litigation is brought against us, such litigation could result in substantial costs while diverting management's attention and resources.



***Our common stock is subject to the "Penny Stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.***

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- That a broker or dealer approve a person's account for transactions in penny stocks; and
- The broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- Obtain financial information and investment experience objectives of the person; and
- Make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- Sets forth the basis on which the broker or dealer made the suitability determination; and
- That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

***Financial Industry Regulatory Authority, Inc. ("FINRA") sales practice requirements may limit a shareholder's ability to buy and sell our common stock.***

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

***Our stock is thinly traded, so you may be unable to sell your shares at or near the quoted bid prices if you need to sell a significant number of your shares.***

The shares of our common stock are thinly-traded on the OTCQB, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained. Due to these conditions, we can give you no assurance that you will be able to sell your shares at or near bid prices or at all if you need money or otherwise desire to liquidate your shares.

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

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

***If we sell shares of our common stock under the Standby Equity Distribution Agreement, our stockholders will experience immediate dilution and, as a result, our stock price may go down.***

Pursuant to the Standby Equity Distribution Agreement, we may sell up to \$8,000,000 of shares of our common stock over a 24-month period at our discretion and subject to certain limitations, and, as consideration for YA II PN, Ltd's ("YA") entering into the Standby Equity Distribution Agreement, we issued to YA an aggregate of 95,847 commitment shares.

If we submit additional advance notices to YA, the sale of shares of our common stock pursuant to the Standby Equity Distribution Agreement will have a dilutive impact on our existing stockholders. The number of shares ultimately offered for sale by YA is dependent upon the number of shares we elect to sell to YA under the Standby Equity Distribution Agreement. YA may ultimately purchase all or some of the \$8,000,000 of shares of common stock that, together with the commitment shares, are issuable in connection with the Standby Equity Distribution Agreement.

YA may resell all, some or none of the shares we issue to it under the Standby Equity Distribution Agreement. Sales by YA of shares acquired pursuant to the Standby Equity Distribution Agreement could cause the market price of our common stock to decline, which decline could be significant. The sale of a substantial number of shares of our common stock by YA, or the anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish.

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

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

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

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

***We may experience volatility in our stock price, which may adversely affect the trading price of our common stock.***

The sale prices of our common stock as reported on the OTCQB have and may continue to exhibit volatility. Factors such as the following may affect the volatility in our stock price:

- our quarterly operating results;
- announcements of regulatory developments or technological innovations by us or our competitors;
- changes in our relationship with our vendors, distributors or other strategic partners;
- government regulation; and
- developments in patent or other technology ownership rights;

Other factors which may affect our stock price include general changes in the economy, the financial markets or the industries in which we target our products and services.

***Trading on the OTCQB is volatile and sporadic, which could depress the market price of our common stock and make it difficult for our security holders to resell their common stock.***

Our common stock is quoted on the OTCQB tier of the OTC Markets Group, Inc. Trading in securities quoted on the OTCQB is often thin and characterized by wide fluctuations in trading prices due to many factors, some of which may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to our business or operating performance. Moreover, the OTCQB is not a stock exchange, and trading of securities on the OTCQB is often more sporadic than the trading of securities listed on a stock exchange like The Nasdaq Capital Market or the NYSE American. These factors may result in investors having difficulty reselling any shares of our common stock.

*The outbreak of Coronavirus has led to restrictions on travel and public meetings and has disrupted markets and shipping schedules.*

The COVID-19 virus pandemic has created global restrictions on travel and meetings, temporary and permanent closures of businesses and business activities, unemployment, loss of customers and suppliers, and reluctance of business management to make critical commitments and, instead, conserve cash. For example, we have experienced delays in customer acceptance of delivered products and shipment delays from our suppliers or customers' suppliers, which delays have disrupted ours and our customers' product development and testing processes. At this stage, we are unable to quantify the impact of the virus on our current or future business, but it could make it extremely difficult to contract with new customers, sell our products or services and manage our supply chain.

*We do not intend to pay dividends.*

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

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

Our officers, directors and affiliates currently own approximately 41.43% of our outstanding Common Stock eligible to vote. Such concentrated control of the Company may adversely affect the value of our Common Stock. If you acquire our Common Stock, you may have no effective voice in our management. Sales by our insiders or affiliates, along with any other market transactions, could affect the value of our Common Stock.

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

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

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

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

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

#### **ITEM 2. PROPERTIES**

Our principal executive office is located 1999 S. Bascom Ave., Suite 700, Campbell, CA 95008, and the telephone number at such address is 408-663-5247. The headquarters for KTC are located at 6355 Nancy Ridge Drive, San Diego CA 92121, and the telephone number at such address is 858-866-8478.

#### **ITEM 3. LEGAL PROCEEDINGS**

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

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

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

Our common stock began trading on OTCQB on July 18, 2018, and currently trades under the symbol “KULR.” The following table sets forth the quarterly high and low sales prices of our common stock since we began trading. Such prices are inter-dealer quotations without retail mark-ups, mark-downs or commissions, and may not represent actual transactions.

#### Fiscal Year Ending December 31, 2021

<u>Quarter Ended</u>	<u>High \$</u>	<u>Low \$</u>
March 31, 2021*	\$ 3.01	\$ 1.19

\*through March 10, 2021

#### Fiscal Year Ending December 31, 2020

<u>Quarter Ended</u>	<u>High \$</u>	<u>Low \$</u>
December 31, 2020	\$ 2.40	\$ 1.01
September 30, 2020	\$ 2.14	\$ 0.74
June 30, 2020	\$ 3.70	\$ 0.55
March 31, 2020	\$ 1.50	\$ 0.75

#### Fiscal Year Ending December 31, 2019

<u>Quarter Ended</u>	<u>High \$</u>	<u>Low \$</u>
December 31, 2019	\$ 2.00	\$ 1.25
September 30, 2019	\$ 1.89	\$ 1.05
June 30, 2019	\$ 2.50	\$ 1.76
March 31, 2019	\$ 4.00	\$ 1.76

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

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

The following table sets forth, as of December 31, 2020, our securities authorized for issuance under any equity compensation plans approved by our stockholders:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	370,000	\$ 0.66	14,211,047
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>370,000</b>	<b>\$ 0.66</b>	<b>14,211,047</b>

### ***Stock Transfer Agent***

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

### ***Common Shareholders***

On March 10, 2021, we had approximately 6,500 record and street shareholders.

### ***Dividends***

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

### ***Recent Sales of Unregistered Securities***

During the year ended December 31, 2020, KULR issued an aggregate of 25,758 shares of our common stock upon conversion of 515 shares of our Series B Preferred Stock.

During the year ended December 31, 2020, KULR issued an aggregate of 56,778 shares of our common stock upon conversion of 5.11 shares of our Series C Preferred Stock.

Effective as of December 31, 2020, KULR issued an aggregate of 177,885 shares of our common stock and warrants to purchase an aggregate of 177,885 shares of our common stock at an exercise price of \$1.25 per share, upon a deemed automatic conversion of 18.90 shares of our Series C Preferred Stock, after which there remained no further Series C Preferred Stock outstanding. Although the conversion shares were issued subsequent to the deemed automatic conversion, in connection with a registered direct offering that closed on December 31, 2020, the conversions were made effective as of December 31, 2020 pursuant to an automatic conversion feature of the Series C Preferred Stock under which the stated value of each share was converted into the same securities issued in the registered direct offering at an effective conversion price of 85% of the aggregate purchase price of such securities.

During the year ended December 31, 2020, KULR issued an aggregate of 101,453 shares of our common stock to certain consultants for services.

During the year ended December 31, 2020, KULR issued an aggregate of 60,000 shares of our common stock to a consultant, which shares remain subject to clawback during the two-year term of the consultant's services until the Board, at its sole discretion, determines certain performance milestones have been achieved.

Subsequent to the year ended December 31, 2020, KULR issued an aggregate of 698,600 shares of our common stock upon conversion of 13,972 shares of our Series B Preferred Stock, after which there remained no further Series B Preferred Stock outstanding.

Subsequent to the year ended December 31, 2020, KULR issued an aggregate of 20,000 shares of our restricted common stock to our President and Chief Operating Officer, Keith Cochran, for services provided to KULR in January and February 2021.

Subsequent to the year ended December 31, 2020, KULR issued an aggregate of 2,000,000 shares of our restricted common stock to our President and Chief Operating Officer, which shares will vest in four equal annual installments beginning on March 1, 2022.

*All of the previously described issuances of securities were made pursuant to the exemption from registration at Section 4(a)(2) and/or Rule 506 of Regulation D under the Securities Act for either transactions not involving a public offering or for transactions with an "accredited investor" as defined under the Securities Act.*

## **ITEM 6. SELECTED FINANCIAL DATA**

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

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

*The following discussion and analysis of the results of operations and financial condition of KULR Technology Group, Inc. ("KULR") and its wholly-owned subsidiary, KULR Technology Corporation ("KTC") (collectively referred to as "KULR" or the "Company") as of and for the years ended December 31, 2020 and 2019 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included elsewhere in this Annual Report. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us", "we", "our" and similar terms refer to the Company. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Actual results could differ materially because of the factors discussed in "Risk Factors" elsewhere in this Annual Report, and other factors that we may not know.*

### **Overview**

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

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

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

### **Recent Developments**

#### ***Paycheck Protection Program Loan***

On April 27, 2020, we received the proceeds of a \$155,226 loan in connection with the CARES Act Paycheck Protection Program (PPP) being administered by the Small Business Administration. The Company believes that it will qualify for loan forgiveness under the terms of the PPP Agreement.

#### ***COVID-19***

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. Through the first quarter of 2020, the disease became widespread around the world, and on March 11, 2020, the World Health Organization declared a pandemic. Our business is dependent on developing new markets and new products to be used on a global basis, thus restrictions on travel led to reduced demand for our products and interruptions to supply chains. Also, the local regulations such as "Shelter in Place" affected our ability to maintain regular R&D and manufacturing schedules as well as the capability to meet customer demands in a timely manner. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows, or financial condition.

### ***Standby Equity Distribution Agreement and Notes Payable***

On February 27, 2020, we entered into a Standby Equity Distribution Agreement (“SEDA”) with YAII PN, Ltd., a Cayman Island exempt limited partnership (“YAII”). Under the terms of this Agreement, the Company raised an aggregate of \$2,292,695 from the facility. As of December 31, 2020, the Company had approximately \$5,707,305 available in connection with the SEDA, however, so long as warrants issued on December 31, 2020 in an unrelated transaction remain outstanding, the Company may not issue shares in connection with variable rate transactions. During the year ended December 31, 2020, the Company issued notes to YAII in the aggregate amount of \$4,000,000, of which the Company repaid principal on the notes in the aggregate amount of \$1,550,000 (\$791,000 was repaid from proceeds from the SEDA). Subsequent to December 31, 2020, the Company repaid principal on the notes in the aggregate amount of \$1,050,000.

### ***Registered Direct Offering***

On December 31, 2020, we closed a registered direct offering conducted pursuant to a securities purchase agreement (“Purchase Agreement”) with the purchasers set forth on the signature page thereto (the “Purchasers”) for the purchase and sale of an aggregate of 6,400,001 shares of our common stock (the “Shares”), and warrants to purchase an aggregate of up to 6,400,001 shares of common stock (“Warrants”), at a combined purchase price of \$1.25 per Share and Warrant. The aggregate gross proceeds to us were equal to approximately \$8 million. The Warrants are immediately exercisable and may be exercised at any time until December 31, 2025, at an exercise price of \$1.25 per share. Lake Street Capital Markets, LLC and Maxim Group LLC acted as co-placement agents in connection with the registered direct offering. We paid the co-placement agents a cash fee of 7.0% of the gross proceeds we received under the Purchase Agreement. We also reimbursed the co-placement agents for certain out-of-pocket accountable expenses incurred by them in connection with this offering of \$50,000. We paid total approximate offering expenses, other than the placement agent fees, of approximately \$170,000, which includes the co-placement agents’ reimbursable expenses, legal, financial advisory fees, accounting, printing costs, listing fees, and various other expenses associated with registering and issuing the shares. We intend to use the net proceeds from this offering for capital expenditures, as well as for working capital and general corporate purposes.

The Shares and Warrants (and underlying shares) were offered, and will be issued, pursuant to the Prospectus Supplement, dated December 29, 2020, to the Prospectus included in our Registration Statement on Form S-3 (Registration No. 333- 232614) filed with the Securities and Exchange Commission on July 11, 2019 and declared effective on August 1, 2019.

### ***Appointment of Keith Cochran***

On March 8, 2021, our Board of Directors (the “Board”) appointed Keith Cochran as President and Chief Operating Officer of the Company, to hold office until the earlier of the expiration of the term of office, a successor is duly elected and qualified, or the earlier of such officer’s death, resignation, disqualification, or removal.

As compensation for his services as President and Chief Operating Officer of the Company, Mr. Cochran will receive: (1) a salary of \$250,000 per annum and commensurate benefits; (2) 2,000,000 restricted shares of the Company’s common stock, which shares shall vest, so long as Mr. Cochran remains employed by the Company, in four (4) equal yearly installments, with the first installment amount to vest on March 1, 2022 and annually thereafter; and (3) eligibility, also subject to Mr. Cochran’s continued employment with the Company, for incentive based grants of up to 1,500,000 shares, which shall be earned upon the Company achieving certain market capitalization milestones.

### ***Appointment of Independent Directors***

On February 20, 2021, the Board, contingent upon the Company’s common stock being approved for uplisting to a national exchange, approved the appointment of Morio Kurosaki as an independent member of the Board. Mr. Kurosaki will also serve as chair of the Audit Committee. As such, the Board has determined that Mr. Kurosaki is a financial expert within the meaning of SEC regulations. Additionally, Mr. Kurosaki will serve as a member of both the Compensation Committee and the Nominating and Governance Committee.

In connection with his appointments, Mr. Kurosaki will be compensated (1) \$10,000 per quarter, beginning on and subject to approval for uplisting, and (2) 20,000 restricted shares of the Company’s common stock, which shares shall vest equally in 5,000 share increments per quarter beginning on and subject to approval for uplisting.

On February 20, 2021, the Board, contingent upon the Company's common stock being approved for uplisting to a national exchange, approved the appointment of Stayce D. Harris as an independent member of the Board. Ms. Harris will also serve as chair of the Compensation Committee. Additionally, Ms. Harris will serve as a member of both the Audit Committee and the Nominating and Governance Committee.

In connection with her appointments, Ms. Harris will be compensated (1) \$10,000 per quarter, beginning on and subject to approval for uplisting, and (2) 20,000 restricted shares of the Company's common stock, which shares shall vest equally in 5,000 share increments per quarter beginning on and subject to approval for uplisting.

On February 20, 2021, the Board, contingent upon the Company's common stock being approved for uplisting to a national exchange, approved the appointment of Joanna D. Massey as an independent member of the Board. Ms. Massey will also serve as chair of the Nominating and Governance Committee. Additionally, Ms. Massey will serve as a member of both the Audit Committee and the Compensation Committee.

In connection with her appointments, and subject to the receipt of her acknowledgment of the same, Ms. Massey will be compensated (1) \$10,000 per quarter, beginning on and subject to approval for uplisting, and (2) 20,000 restricted shares of the Company's common stock, which shares shall vest equally in 5,000 share increments per quarter beginning on and subject to approval for uplisting.

#### ***Conversion of Series C Preferred Stock***

During the year ended December 31, 2020, KULR issued an aggregate of 56,778 shares of our common stock upon voluntary conversions of 5.11 shares of our Series C Preferred Stock.

Effective as of December 31, 2020, KULR issued an aggregate of 177,885 shares of our common stock and warrants to purchase an aggregate of 177,885 shares of our common stock at an exercise price of \$1.25 per share, upon a deemed automatic conversion of 18.90 shares of our Series C Preferred Stock, after which there remained no further Series C Preferred Stock outstanding. Although the conversion shares were issued subsequent to the deemed automatic conversion, in connection with a registered direct offering that closed on December 31, 2020, the conversions were made effective as of December 31, 2020 pursuant to an automatic conversion feature of the Series C Preferred Stock under which the stated value of each share was converted into the same securities issued in the registered direct offering at an effective conversion price of 85% of the aggregate purchase price of such securities.

#### ***Conversion of Series B Preferred Stock***

During the year ended December 31, 2020, KULR issued an aggregate of 25,758 shares of our common stock upon conversion of 515 shares of our Series B Preferred Stock.

Subsequent to the year ended December 31, 2020, KULR issued an aggregate of 698,600 shares of our common stock upon conversion of 13,972 shares of our Series B Preferred Stock, after which there remained no further Series B Preferred Stock outstanding.

### **Consolidated Results of Operations**

#### ***Year Ended December 31, 2020 Compared With Year Ended December 31, 2019***

##### Revenue

Our revenues consisted of the following types:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Product sales	\$ 404,467	\$ 735,431
Contract services	219,498	94,967
<b>Total revenue</b>	<b>\$ 623,965</b>	<b>\$ 830,398</b>

For the years ended December 31, 2020 and 2019, we generated \$623,965 and \$830,398 of revenues from 25 and 27 customers, respectively, representing a decrease of \$206,433, or 25%. Revenue from product sales during the year ended December 31, 2020 decreased by 45% compared to the year ended December 31, 2019, primarily due to a large DOD contract of about \$355,000 received during the year ended December 31, 2019. The customer has pushed its next shipment of product to 2021. Product sales during these periods included sales of our component products, CFV thermal management solutions, ISC battery cells and devices, patented technology, and thermal FTI materials. Revenue from services increased by 131% for the year ended December 31, 2020 as compared to the year ended December 31, 2019, due to increased project requirements from some of our new and existing customers. Our service revenues, which include certain research and development contracts and onsite engineering services, were not hampered by restrictions arising from working under COVID-19 shelter-in-place regulations.

We are still in the early stages of business growth and development of customer relationships which typically begin on a project-by-project basis, leading to limited volume trials and eventually, product sales. As a result, in the absence of a large installed customer base, our sales can be lumpy and vary from one period to another.



### Cost of Revenue and Gross Margin

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

Generally, we earn greater margins on revenue from products as compared to revenue from services, so 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 and products due to the learning process, customer negotiating strengths, and product mix.

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, acceptance and billing can be lengthy, unpredictable and lumpy, which can influence the timing, consistency and reporting of sales growth.

For the years ended December 31, 2020 and 2019, cost of revenues was \$169,016 and \$226,505, respectively, representing a decrease of \$57,489, or 25%. The decrease was primarily due to reduced costs as a result of reduced revenues. The gross margin percentage was 73% for both of the years ended December 31, 2020 and 2019.

### Research and Development

Research and development (“R&D”) included expenses incurred in connection with the R&D of our CFV thermal management solution and non-cash stock-based compensation expenses. R&D expenses are expensed as they are incurred.

For the years ended December 31, 2020 and 2019, R&D expenses were \$289,772 and \$502,225, respectively, representing a decrease of \$212,453 or 42%. The decrease is attributable to reductions in salaries and other salary related costs, such as payroll taxes and other benefits, implemented during the end of the first quarter of 2020 due to COVID-19, as well as a reduction in head count between the comparable periods.

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

### Selling, General and Administrative

Selling, general and administrative expenses consisted primarily of salaries, payroll taxes and other benefits, legal and professional fees, stock-based compensation, marketing, travel, rent and office expenses.

For the years ended December 31, 2020 and 2019, selling, general and administrative expenses were \$2,505,609 and \$2,080,941, respectively, an increase of \$424,668, or 20%. The increase is primarily due to increases of approximately \$529,000 for marketing and advertising expense and \$262,000 for stock-based compensation related to consultants and employees, partially offset by decreases of approximately \$116,000 of travel, meals, and entertainment expense due to COVID-19 restrictions, \$99,000 of rent expense due to the termination of an operating lease during the end of the fourth quarter of 2019, \$30,000 of professional fees, \$98,000 of payroll and benefits due to salary reductions implemented during the end of the first quarter of 2020 as a result of COVID-19, and \$17,000 of conference and seminar expenses due to the travel restrictions and stay-at-home orders as a result of COVID-19.

### Other (Expenses) Income

For the years ended December 31, 2020 and 2019, other expenses were \$509,664 and \$480, respectively, representing an increase of \$509,184. The increase is primarily attributable to the amortization of debt discount recorded in connection with notes payable issued in 2020.

## Liquidity and Capital Resources

As of December 31, 2020 and 2019, we had cash balances of \$8,880,140 and \$108,857, respectively, and working capital (deficit) of \$6,202,985 and \$(824,481), respectively.

For the years ended December 31, 2020 and 2019, cash used in operating activities was \$2,730,253 and \$1,188,339, respectively. Our cash used in operations for the year ended December 31, 2020 was primarily attributable to our net loss of \$2,850,096, adjusted for non-cash expenses in the aggregate amount of \$864,929, as well as \$754,086 of net cash used to fund changes in the levels of operating assets and liabilities. Our cash used in operations for the year ended December 31, 2019 was primarily attributable to our net loss of \$1,979,753, adjusted for non-cash expenses in the aggregate amount of \$237,990, as well as \$553,424 of net cash provided by changes in the levels of operating assets and liabilities.

For the years ended December 31, 2020 and 2019, cash used in investing activities was \$46,087 and \$0, respectively. Cash used in investing activities during the year ended December 31, 2020 was related to the purchases of equipment.

For the years ended December 31, 2020 and 2019, cash provided by financing activities was \$11,547,623 and \$1,067,300, respectively. Cash provided by financing activities during the year ended December 31, 2020 was due to the net proceeds from notes payable of \$3,710,000, proceeds from the Paycheck Protection Program loan of \$155,226, proceeds from the sale of our common stock pursuant to the SEDA agreement of \$1,501,696, and proceeds from the sale of common stock and warrants received in a public offering of \$8,000,001. These amounts were partially offset by \$340,000 for the payment of debt issuance costs, \$759,000 for the repayments on notes and \$720,300 of cash paid in offering costs related to sale of our equity securities. Cash provided by financing activities during the year ended December 31, 2019 was due to the gross proceeds of common stock offering of \$898,300 and proceeds from the issuance of our Series C Convertible Preferred Stock of \$184,000, partially offset by cash offering costs paid of \$15,000.

Subsequent to December 31, 2020, we made cash payments totaling \$1,050,000 to pay down a portion of the outstanding principal due under our notes payable.

We have not yet achieved profitability and expect to continue to incur cash outflows from operations. It is expected that our research and development and general and administrative expenses will continue to increase and, as a result, we will eventually need to generate significant revenues and/or raise additional capital to fund our operations. Although our management believes our current cash on hand is sufficient to meet our operating and capital requirements for at least the next twelve months from the date these financial statements are issued, there is no assurance that we will be able to obtain funds on commercially acceptable terms, if at all, on a go-forward basis. If we are unable to obtain adequate funds on reasonable terms, we may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms. Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures.

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

## Off-Balance Sheet Arrangements

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

## Critical Accounting Policies

See Note 2 – Summary of Significant Accounting Policies of our consolidated financial statements included within this Annual Report for our critical accounting policies.

## Recently Issued Accounting Pronouncements

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

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

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

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

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

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

None.

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

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

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) (the “Exchange Act”). Based on the foregoing evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2020, our disclosure controls and procedures were not effective at the reasonable assurance level because of the material weakness discussed below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

During the year ended December 31, 2020, we did not design or maintain effective controls to ensure that there is an independent review and approval of electronic payments (wires, EFT’s, ACH’s and credit card payments) as our policy of providing timely support to ensure completeness and accuracy of the payment was not followed.

We are in the process of developing a detailed plan for remediation of the material weakness, including developing and maintaining preventative controls around the electronic payment process to ensure proper segregation of duties. In addition, subsequent to December 31, 2020, we hired a Chief Operating Officer (“COO”) that will assist in providing additional segregation of duties and independent reviews of the internal controls over financial reporting. The COO will provide the leadership and organizational experience necessary to ensure we have proper operational controls and procedures in place to effectively manufacture and automate on a mass scale with sound operating efficiency. We will continue to assess the design and effectiveness of our remediation efforts in connection with our future assessments of internal control over financial reporting.

Notwithstanding the material weakness in internal control over financial reporting described above, our management has concluded that our consolidated financial statements included in the Annual Report on Form 10-K are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States of America.

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

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 Framework). Based on this evaluation under the 2013 Framework, our principal executive officer and principal financial officer have concluded that our internal control over financial reporting were not effective as of December 31, 2020 as a result of the material weakness described above.

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

Except as disclosed above, there has been no change in our internal control over financial reporting that occurred during the fourth quarter of 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over current or future financial reporting.

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

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

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

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

### **ITEM 9B. OTHER INFORMATION**

None.

### PART III

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

##### *Executive Officers and Directors*

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

<u>Name</u>	<u>Age</u>	<u>Office</u>
Michael Mo	50	Chief Executive Officer and Chairman
Dr. Timothy Knowles	74	Director, Chief Technical Officer and Secretary
Simon Westbrook	72	Chief Financial Officer
Keith Cochran	55	President and Chief Operating Officer
Michael Carpenter	57	Vice President of Engineering

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

**Michael Mo** was appointed CEO and Director of the Company on March 16, 2011, is a technology entrepreneur and successful investor with over 20 years of experience in technology management, product development and marketing. In 2013, he co-founded KULR and has been serving as its CEO since then. From 2007 to 2015, Mr. Mo served as Senior Director of Business Development at Amlogic, Inc., a California high-tech company. In 2005, Mr. Mo founded Sympeer Technology and served as its CEO until 2008. In 1998, he founded Wish Solutions, and served as its CEO until 2001. Mr. Mo received his Master of Science in Electrical Engineering from the University of California at Santa Barbara in 1995.

**Timothy R. Knowles** was appointed CTO and Director of the Company, has over 30 Years of Thermal Management R&D and product development experience for the most challenging space and industrial applications. He conducted research and built building products for various space and industrial customers such as NASA, Boeing, Raytheon, Jet Propulsion Lab, and others. Since 1983, Dr. Knowles has been working as President at ESLI. In addition, in 2013, Dr. Knowles co-founded KULR and has been serving as its CTO since then. From 1977 to 1983, he was a postdoctoral research physicist at Hamburg University. Mr. Knowles received Ph.D. in Physics from University of California San Diego in 1977 and B.S. in Physics from University of Southern California in 1969.

**Simon Westbrook** was appointed Chief Financial Officer on March 15, 2018. In 2009, Mr. Westbrook founded and has since served as an officer of Aargo, Inc., a company specializing in financial consulting services to corporations in various tech-related industries. Prior to Aargo, Inc., Mr. Westbrook was CFO of Amber Networks, Inc., and the Chief Financial Officer of Sage, Inc. (NASDAQ: SAGI), a Silicon Valley company specializing in flat panel displays. Before joining Sage, Mr. Westbrook held a number of senior financial positions at Creative Technology (NASDAQ: CREAM), a leading PC multimedia company, and Atari Corp (AMEX: ATC), the video game and home computer company both in the USA and overseas. At various times, he has held positions as an advisory board member of the Silicon Valley Financial Executives Institute, and various technology start-up companies where he has assisted in strategic planning, fund raising and team development. Simon is a Chartered Accountant and holds a Master's in Economics from Trinity College, Cambridge University.

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

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

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

##### *Director Independence*

Currently no directors would qualify as independent as defined under NASDAQ Marketplace Rules. Our directors believe that retaining one or more additional directors who would qualify as independent as defined in the NASDAQ Marketplace Rules would be overly costly and burdensome and not warranted in the circumstances given the current stage of the Company's development.

### *Family Relationships*

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

### *Involvement in Certain Legal Proceedings*

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

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

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

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of the issued and outstanding shares of our common stock to file reports of initial ownership of common stock and other equity securities and subsequent changes in that ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, during the fiscal year ended December 31, 2020, our officers, directors and greater than 10% beneficial owners have complied with all applicable filing requirements of Section 16(a).

### *Code of Ethics*

We do not currently have a Code of Ethics, as defined under the rules and regulations of the Exchange Act. The Company does not believe a Code of Ethics is necessary at this time.

### *Nomination Process*

As of December 31, 2020, we did not affect any material changes to the procedures by which stockholders may recommend nominees to the Board of Directors. We do not have any defined policy or procedure requirements for stockholders to submit recommendations or nominations for directors. The Board of Directors believes that, given the current stage of our development, a specific nominating policy would be premature and of little assistance until our operations develop to a more advanced level. We do not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and there is no specific process or procedure for evaluating such nominees. The board of directors assesses all candidates, whether submitted by management or stockholders, and makes recommendations for election or appointment.

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

### *Committees of the Board*

We currently do not have nominating, compensation or audit committee, or committees performing similar functions, nor do we have a written nominating, compensation or audit committee charter. The Board of Directors does not believe that it is necessary to have such committees at this time because it believes that the functions of such committees can be adequately performed by the Board of Directors.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following Summary Compensation Table sets forth all compensation earned in all capacities during the fiscal years ended December 31, 2020 and 2019 by (i) our principal executive officer, (ii) our two most highly compensated executive officers, other than our principal executive officer, who were serving as executive officers as of December 31, 2020 and whose total compensation for the 2019 fiscal year, as determined by Regulation S-K, Item 402, exceeded \$100,000, (iii) a person who would have been included as one of our two most highly compensated executive officers, other than our principal executive officer, but for the fact that he was not serving as one of our executive officers as of December 31, 2020 (the individuals falling within categories (i), (ii) and (iii) are collectively referred to as the “Named Executive Officers”):

Name and Principal Position	Year	Salary	Bonus	Total Earned
<b>Michael Mo</b>	2020	\$ 137,931	\$ -	\$ 137,931(1)
<i>Chief Executive Officer</i>	2019	\$ 161,785	\$ -	\$ 161,785(2)
<b>Timothy Knowles</b>	2020	\$ 56,893	\$ -	\$ 56,893(3)
<i>Chief Technology Officer</i>	2019	\$ 141,353	\$ -	\$ 141,353(4)
<b>Michael Carpenter</b>	2020	\$ 92,178	\$ -	\$ 92,178
<i>VP of Engineering</i>	2019	\$ 124,459	\$ -	\$ 124,459

- (1) Cash compensation paid during 2020 was \$356,895, of which \$137,931 and \$218,964 was earned in 2020 and prior years, respectively, and none remains unpaid as of December 31, 2020.
- (2) Of the aggregate \$161,785 earned during 2019, cash compensation paid during 2019 and 2020 was \$28,154 and \$135,425, respectively, and none remains unpaid as of December 31, 2020.
- (3) Of the aggregate \$56,893 earned during 2020, cash compensation paid during 2020 was \$56,893. As of December 31, 2020, \$108,910 remains unpaid, which includes unpaid compensation that was earned in 2019 and prior years
- (4) Of the aggregate \$141,353 earned during 2019, cash compensation paid during 2019 was \$70,680 and \$70,673 remains unpaid as of December 31, 2020.

### Bonuses

Any bonuses granted in the future will relate to meeting certain performance criteria that are directly related to areas within the named executive’s responsibilities with the Company. As we continue to grow, more defined bonus programs may be established to attract and retain our employees at all levels.

### Equity Compensation Plans

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

### Compensation of Directors

Because we are still in the development stage, our directors do not receive any compensation other than reimbursement for expenses incurred during the performance of their duties or their separate duties as officers of the Company.

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

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

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

The following table provides the names and addresses of each person known to us who own more than 5% of the outstanding common stock as of the date of this annual report, and by our officers and directors. Except as otherwise indicated, all shares are owned directly. Unless otherwise indicated, the address of each of the persons shown is c/o KULR Technology Group, Inc., 1999 S. Bascom Ave. Suite 700. Campbell, CA 95008.

<b>Name of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Percentage Ownership <sup>(1)</sup></b>
<b>Michael Mo (2) - CEO and Chairman</b>	21,400,000	23.63%
<b>Dr. Timothy Knowles (3) - CTO and Director</b>	15,600,000	17.22%
<b>Simon Westbrook - CFO</b>	-	-
<b>Keith Cochran (4) - President and COO</b>	80,000	*
<b>Michael Carpenter - VP of Engineering</b>	500,000	*
All directors and executive officers as a group (5 persons)	37,580,000	41.49%

\* Less than 1%

- (1) The percent of class is based on 90,567,200 shares of common stock issued and outstanding as of March 18, 2021 but does not include 2,060,000 shares that are not vested and cannot be voted.
- (2) Consists of: 20,000,000 shares held directly by Mr. Mo and 1,400,000 shares held jointly by Mr. Mo and his spouse, Linda Mo, and excludes shares held by Mr. Mo's son Alexander Mo and shares held by Mr. Mo's son Brandon Mo, over which shares Mr. Mo disclaims beneficial ownership, as Mr. Mo has no control over the dispositive or voting power over the shares and his sons no longer live in the same household as Mr. Mo.
- (3) Consists of 15,600,000 shares held directly by Mr. Knowles and excludes 1,500,000 shares held by Mr. Knowles daughter, Sonja Irene Knowles, over which shares Mr. Knowles disclaims beneficial ownership, as Mr. Knowles has no control over the dispositive or voting power over the shares and his daughter no longer lives in the same household as Mr. Knowles.
- (4) Does not include 2,000,000 restricted stock grants that vest in four equal annual installments beginning on March 1, 2022.

### *Change in Control*

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

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

On June 19, 2017, we acquired all the issued and outstanding shares of KULR pursuant to the Share Exchange Agreement in exchange for the issuance of 50,000,000 of our Common Stock and KULR became our wholly owned subsidiary. Our Chief Executive Officer and Director, Michael Mo, and various members of his family were among the shareholders of KULR that entered into the Share Exchange Agreement along with our Chief Technical Officer and Director, Timothy Knowles, and various members of his family. Furthermore, Mr. Mo was an officer and director of both the Company and KULR prior to and after entering into the Share Exchange Agreement. Dr. Knowles was an officer and director of KULR prior to and after entering into the Share Exchange Agreement and became an officer and director of the Company after the closing of the Share Exchange Agreement.

On December 28, 2018, the Company's Board of Directors authorized the issuance of one million (1,000,000) shares of its Series A Preferred Stock to its Chief Executive Officer, Michael Mo, in the future as a measure to protect the Company from an uninvited takeover. The rights, limitations and preferences of the Series A Preferred Stock, including the rights of its holders to cast one hundred (100) votes for each share of Series A Preferred Stock, are set forth in the Certificate of Designation of Series A Voting Preferred Stock, which was filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC as of June 12, 2017 and is incorporated herein by reference.

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following is a summary of the fees billed or expected to be billed to us for professional services rendered with respect to the fiscal years ended December 31, 2020 and 2019:

	<b>For the Fiscal Year Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Audit Fees	\$ 156,936	\$ 173,501
Tax Fees	6,825	22,850
<b>Total</b>	<b>\$ 163,761</b>	<b>\$ 196,351</b>



### *Audit Fees*

Audit fees consist of fees billed for services rendered by our independent auditors during the years ended December 31, 2020 and 2019 for the audit and review of our financial statements.

### *Tax Fees*

Tax fees consist of fees billed for services rendered by our tax preparers during the years ended December 31, 2020 and 2019 in connection with the preparation and filing of our income tax returns.

### *Pre-Approval Policies*

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

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

## **PART IV**

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">2.1</a>	<a href="#">Share Exchange Agreement, dated June 8, 2017 (1)</a>
<a href="#">3.1</a>	<a href="#">Articles of Incorporation of the Company (2)</a>
<a href="#">3.2</a>	<a href="#">Bylaws of the Company (2)</a>
<a href="#">3.3</a>	<a href="#">Certificate of Incorporation of KULR Technology Corporation (3)</a>
<a href="#">3.4</a>	<a href="#">Amended and Restated Certificate of Incorporation of KULR Technology Corporation (3)</a>
<a href="#">3.5</a>	<a href="#">By-laws of KULR Technology Corporation (3)</a>
<a href="#">3.6</a>	<a href="#">Certificate of Designation of Series A Voting Preferred Stock, filed on June 6, 2017 (1)</a>
<a href="#">3.7</a>	<a href="#">Certificate of Amendment to the Certificate of Incorporation, effective August 30, 2018 (8)</a>
<a href="#">3.8</a>	<a href="#">Certificate of Designation of Series B Convertible Preferred Stock, filed on December 6, 2018 (9)</a>
<a href="#">3.9</a>	<a href="#">Certificate of Amendment to the Certificate of Incorporation, effective December 31, 2018 (10)</a>
<a href="#">3.10</a>	<a href="#">Certificate of Designation of Series C Convertible Preferred Stock, filed on August 19, 2019 (11)</a>
<a href="#">4.1</a>	<a href="#">Description of registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934*</a>
<a href="#">10.1</a>	<a href="#">License and Development Agreement, dated April 15, 2013 (3)</a>
<a href="#">10.2</a>	<a href="#">Consulting Agreement, dated April 15, 2013 (3)</a>
<a href="#">10.3</a>	<a href="#">Letter of Intent by and between the Company and E3 Enterprise, dated April 20, 2016 (4)</a>
<a href="#">10.4</a>	<a href="#">Letter of Intent by and between the Company and KULR Technology Corporation (5)</a>

<a href="#">10.5</a>	<a href="#">Patent Assignment Agreement, dated November 10, 2016 (3)</a>
<a href="#">10.6</a>	<a href="#">Promissory Note issued by KULR Technology Corporation, dated March 31, 2017 (6)</a>
<a href="#">10.7</a>	<a href="#">Promissory Note issued by KULR Technology Corporation, dated June 8, 2017 (1)</a>
<a href="#">10.8</a>	<a href="#">Consulting Agreement, dated March 15, 2018 (7)</a>
<a href="#">10.9</a>	<a href="#">2018 KULR Technology Group Equity Incentive Plan (12)</a>
<a href="#">10.10</a>	<a href="#">Securities Purchase Agreement dated April 2, 2019 (13)</a>
<a href="#">10.11</a>	<a href="#">Subscription Agreement, as supplemented, for Common Stock Offering (14)</a>
<a href="#">10.12</a>	<a href="#">Rescission and Termination Agreement dated July 5, 2019 (15)</a>
<a href="#">10.13</a>	<a href="#">Form of Subscription Agreement (16)</a>
<a href="#">10.14</a>	<a href="#">Form of Warrant (16)</a>
<a href="#">10.15</a>	<a href="#">Standby Equity Distribution Agreement dated February 27, 2020 (17)</a>
<a href="#">10.16</a>	<a href="#">Note Purchase Agreement dated February 27, 2020 (17)</a>
<a href="#">10.17</a>	<a href="#">Promissory Note dated February 27, 2020 (17)</a>
<a href="#">10.18</a>	<a href="#">Note Purchase Agreement dated July 20, 2020 (18)</a>
<a href="#">10.19</a>	<a href="#">Promissory Note dated July 20, 2020 (18)</a>
<a href="#">10.20</a>	<a href="#">Form of Securities Purchase Agreement (19)</a>
<a href="#">10.21</a>	<a href="#">Form of Warrant (19)</a>
<a href="#">10.22</a>	<a href="#">Co-Placement Agency Agreement (19)</a>
<a href="#">21.1</a>	<a href="#">List of Subsidiaries (3)</a>
<a href="#">23.1</a>	<a href="#">Consent of Marcum LLP*</a>
<a href="#">31.1</a>	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</a>
<a href="#">31.2</a>	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</a>
<a href="#">32.1</a>	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</a>
101.INS	XBRL Instance*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation*
101.DEF	XBRL Taxonomy Extension Definition*
101.LAB	XBRL Taxonomy Extension Labels*
101.PRE	XBRL Taxonomy Extension Presentation*

\* Filed herewith.

- (1) Previously filed as an exhibit to Form 8-K on June 12, 2017 and incorporated herein by this reference.
- (2) Previously filed as an exhibit on Form 10-12G on January 7, 2016 (File No.: 000-55564) and incorporated herein by this reference.
- (3) Previously filed as an exhibit to Form 8-K on June 19, 2017 and incorporated herein by this reference.
- (4) Previously filed on Form S-1 on June 28, 2016 (File No.: 333-212272) and incorporated herein by this reference.
- (5) Previously filed as an exhibit to Form 8-K on November 3, 2016 and incorporated herein by this reference.
- (6) Previously filed as an exhibit to Form 8-K on April 5, 2017 and incorporated herein by this reference.
- (7) Previously filed as an exhibit to Form 8-K on March 15, 2018 and incorporated herein by this reference.
- (8) Previously filed as an exhibit to Form 8-K on August 30, 2018 and incorporated herein by this reference.
- (9) Previously filed as an exhibit to Form 8-K on December 6, 2018 and incorporated herein by this reference.
- (10) Previously filed as an exhibit to Form 8-K on January 7, 2019 and incorporated herein by this reference.
- (11) Previously filed as an exhibit to Form 8-K on August 23, 2019 and incorporated herein by this reference.
- (12) Previously filed as an exhibit to Form S-8 on October 9, 2018 and incorporated herein by this reference.
- (13) Previously filed as an exhibit to Form 8-K on April 3, 2019 and incorporated herein by this reference.
- (14) Previously filed as an exhibit to Form 10-Q on May 14, 2019 and incorporated herein by this reference.
- (15) Previously filed as an exhibit to Form 8-K on July 5, 2019 and incorporated herein by this reference.
- (16) Previously filed as an exhibit to Form 8-K on December 5, 2019 and incorporated herein by this reference.
- (17) Previously filed as an exhibit to Form 8-K on March 4, 2020 and incorporated herein by this reference.
- (18) Previously filed as an exhibit to Form 8-K on July 21, 2020 and incorporated herein by this reference.
- (19) Previously filed as an exhibit to Form 8-K on December 31, 2020 and incorporated herein by this reference.

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

None.

**SIGNATURES**

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

March 19, 2021

**KULR Technology Group, Inc.**

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

By: /s/ Simon Westbrook  
Simon Westbrook  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ Michael Mo</u> Michael Mo	Chief Executive Officer and Chairman	March 19, 2021
By: <u>/s/ Timothy Knowles</u> Timothy Knowles	Chief Technical Officer and Director	March 19, 2021
By: <u>/s/ Simon Westbrook</u> Simon Westbrook	Chief Financial Officer	March 19, 2021

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of KULR Technology Group, Inc. and Subsidiary (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in stockholders' equity (deficiency) and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

### **Critical Audit Matters**

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

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2018.

Los Angeles, CA  
March 19, 2021

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

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 8,880,140	\$ 108,857
Accounts receivable	55,492	30,101
Inventory	55,452	27,091
Prepaid expenses and other current assets	159,196	43,201
Total Current Assets	<u>9,150,280</u>	<u>209,250</u>
Property and equipment, net	57,857	27,516
Total Assets	<u>\$ 9,208,137</u>	<u>\$ 236,766</u>
<b>Liabilities and Stockholders' Equity (Deficiency)</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 66,537	\$ 344,660
Accounts payable - related party	2,628	4,253
Accrued expenses and other current liabilities	395,012	659,399
Accrued expenses and other current liabilities - related party	—	10,419
Accrued issuable equity	128,380	—
Notes payable, net of debt discount of \$128,198 and \$0 at December 31, 2020 and 2019, respectively	2,321,802	—
Loans payable, current portion	12,936	—
Deferred revenue	20,000	15,000
Total Current Liabilities	<u>2,947,295</u>	<u>1,033,731</u>
Loans payable, non-current portion	142,290	—
Total Liabilities	<u>3,089,585</u>	<u>1,033,731</u>
Commitments and contingencies (Note 13)		
<b>Stockholders' Equity (Deficiency):</b>		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized;		
Series A Preferred Stock, 1,000,000 shares designated; none issued and outstanding at December 31, 2020 and 2019	—	—
Series B Convertible Preferred Stock, 31,000 shares designated; 13,972 and 14,487 shares issued and outstanding and liquidation preference of \$13,972 and \$14,487 at December 31, 2020 and 2019, respectively	1	1
Series C Preferred Stock, 400 shares designated; 0.00 and 24.01 shares issued and outstanding and liquidation preference of \$0 and \$240,100 at December 31, 2020 and 2019, respectively	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized;		
89,908,600 and 81,071,831 shares issued and outstanding at December 31, 2020 and 2019, respectively	8,991	8,107
Additional paid-in capital	17,355,968	7,591,239
Accumulated deficit	(11,246,408)	(8,396,312)
Total Stockholders' Equity (Deficiency)	<u>6,118,552</u>	<u>(796,965)</u>
Total Liabilities and Stockholders' Equity (Deficiency)	<u>\$ 9,208,137</u>	<u>\$ 236,766</u>

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	\$ 623,965	\$ 830,398
Cost of revenue	169,016	226,505
Gross Profit	454,949	603,893
<b>Operating Expenses:</b>		
Research and development	289,772	502,225
Selling, general, and administrative	2,505,609	2,080,941
Total Operating Expenses	2,795,381	2,583,166
Loss From Operations	(2,340,432)	(1,979,273)
<b>Other (Expenses) Income</b>		
Interest expense, net	(5,268)	(1,580)
Other income	—	1,100
Amortization of debt discount	(501,802)	—
Change in fair value of accrued issuable equity	(2,594)	—
Total Other Expenses	(509,664)	(480)
<b>Net Loss</b>	(2,850,096)	(1,979,753)
<b>Deemed dividend to Series C Preferred Stockholders</b>	(1,691)	—
<b>Net Loss Attributable to Common Stockholders</b>	\$ (2,851,787)	\$ (1,979,753)
Net Loss Per Share		
- Basic and Diluted	\$ (0.03)	\$ (0.02)
Weighted Average Number of Common Shares Outstanding		
- Basic and Diluted	82,032,420	80,123,111

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



**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIENCY) EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance - January 1, 2019</b>	30,858	\$ 3	—	\$ —	78,706,256	\$ 7,871	\$ 6,283,548	\$ (6,416,559)	\$ (125,137)
Stock-based compensation	—	—	—	—	185,966	19	220,606	—	220,625
Common stock issued for cash	—	—	—	—	1,361,059	135	898,165	—	898,300
Common stock issued upon conversion of Series B Convertible Preferred Stock	(16,371)	(2)	—	—	818,550	82	(80)	—	—
Series C Convertible Preferred Stock and warrants issued for cash, net of issuance costs [1]	—	—	24.01	—	—	—	154,000	—	154,000
Forgiveness of accrued expenses by related party	—	—	—	—	—	—	35,000	—	35,000
Net loss	—	—	—	—	—	—	—	(1,979,753)	(1,979,753)
<b>Balance - December 31, 2019</b>	14,487	\$ 1	24.01	\$ —	81,071,831	\$ 8,107	\$ 7,591,239	\$ (8,396,312)	\$ (796,965)
Common stock and warrants issued for cash, net of issuance costs [2]	—	—	—	—	6,400,001	640	7,269,209	—	7,269,849
Common stock issued for the commitment fee pursuant to the SEDA agreement	—	—	—	—	95,847	10	63,249	—	63,259
Common stock issued pursuant to the SEDA agreement:									
For cash, net of issuance costs [3]	—	—	—	—	1,128,908	113	1,423,324	—	1,423,437
In satisfaction of notes payable	—	—	—	—	712,640	71	790,929	—	791,000
Common stock issued upon conversion of Series B Convertible Preferred Stock	(515)	—	—	—	25,758	3	(3)	—	—
Common stock issued upon conversion of Series C Convertible Preferred Stock	—	—	(24.01)	—	234,662	24	(24)	—	—
Stock-based compensation:									
Common stock	—	—	—	—	238,953	23	178,619	—	178,642
Options	—	—	—	—	—	—	39,426	—	39,426
Net loss	—	—	—	—	—	—	—	(2,850,096)	(2,850,096)
<b>Balance - December 31, 2020</b>	13,972	\$ 1	—	\$ —	89,908,600	\$ 8,991	\$ 17,355,968	\$ (11,246,408)	\$ 6,118,552

[1] Includes gross proceeds of \$216,000, less cash issuance costs of \$62,000.

[2] Includes gross proceeds of \$8,000,001, less issuance costs of \$730,152 (\$705,300 of cash and \$24,852 of non-cash).

[3] Amount represents gross proceeds of \$1,501,696 less \$78,259 issuance costs.

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (2,850,096)	\$ (1,979,753)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	501,802	-
Depreciation expense	15,746	17,275
Bad debt expense	933	-
Write-down of inventory	-	90
Change in fair value of accrued issuable equity	2,594	-
Stock-based compensation	343,854	220,625
Changes in operating assets and liabilities:		
Accounts receivable	(26,324)	82,123
Inventory	(28,361)	(17,587)
Prepaid expenses and other current assets	(115,995)	11,401
Accounts payable	(296,072)	230,918
Accounts payable - related party	(1,625)	-
Accrued expenses and other current liabilities	(271,290)	270,069
Accrued expenses and other current liabilities - related party	(10,419)	(38,500)
Deferred revenue	5,000	15,000
<b>Total Adjustments</b>	<b>119,843</b>	<b>791,414</b>
<b>Net Cash Used In Operating Activities</b>	<b>(2,730,253)</b>	<b>(1,188,339)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(46,087)	-
<b>Net Cash Used In Investing Activities</b>	<b>(46,087)</b>	<b>-</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	3,710,000	-
Repayments of notes payable	(759,000)	-
Payment of debt issuance costs	(340,000)	-
Proceeds from Paycheck Protection Program loan	155,226	-
Proceeds from sale of Series C Convertible Preferred Stock and warrants [1]	-	184,000
Payment of offering costs in connection with sale of Series C Convertible Preferred Stock and warrants	-	(15,000)
Proceeds from sale of common stock issued pursuant to the SEDA agreement [2]	1,501,696	-
Payment of offering costs in connection with the SEDA agreement	(15,000)	-
Proceeds from sale of common stock and warrants	8,000,001	898,300
Payment of offering costs in connection with sale of common stock and warrants	(705,300)	-
<b>Net Cash Provided By Financing Activities</b>	<b>11,547,623</b>	<b>1,067,300</b>
<b>Net Increase (Decrease) In Cash</b>	<b>8,771,283</b>	<b>(121,039)</b>
<b>Cash - Beginning of Period</b>	<b>108,857</b>	<b>229,896</b>
<b>Cash - End of Period</b>	<b>\$ 8,880,140</b>	<b>\$ 108,857</b>

[1] Includes gross proceeds of \$216,000 less withheld cash issuance costs of \$32,000.

[2] Includes gross proceeds of \$2,292,695 less \$791,000 withheld by the investor to pay down a portion of the notes payable held by the same investor.

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

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

**For the Years Ended  
December 31,**

**2020                      2019**

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for:		
Interest	\$ 3,890	\$ 789
Income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Common stock issued for repayment of note payable	\$ 791,000	\$ -
Common stock issued upon conversion of Series B Convertible Preferred Stock	\$ 3	\$ 82
Common stock issued upon conversion of Series C Convertible Preferred Stock	\$ 24	\$ -
Forgiveness of accrued expenses by related party	\$ -	\$ 35,000
Original issuance discount on notes payable	\$ 290,000	\$ -
Value of common stock issued as a commitment fee for the SEDA agreement	\$ 63,259	\$ -
Disposal of fully depreciated property and equipment	\$ 1,829	\$ -

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

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 BUSINESS ORGANIZATION, NATURE OF OPERATIONS AND RISKS AND UNCERTAINTIES**

Organization and Operations

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

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

Risks and Uncertainties

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. Through the first quarter of 2020, the disease became widespread around the world, and on March 11, 2020, the World Health Organization declared a pandemic. Our business is dependent on developing new markets and new products to be used on a global basis, thus restrictions on travel led to reduced demand for our products and interruptions to supply chains. Also, the local regulations such as “Shelter in Place” affected our ability to maintain regular R&D and manufacturing schedules as well as the capability to meet customer demands in a timely manner. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows, or financial condition.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation and Basis of Presentation

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

Liquidity

The Company has previously disclosed that there was substantial doubt about its ability to continue as a going concern as a result of its past working capital balances, operating losses, and cash used in operations. During the year ended December 31, 2020, the Company raised aggregate gross proceeds of approximately \$8.0 million, \$1.5 million, and \$3.9 million in connection with the sale of common stock and warrants in a public offering, the sale of common stock issued pursuant to a Standby Equity Distribution Agreement, and the issuances of notes payable, respectively. As of December 31, 2020, the Company had cash and working capital of approximately \$8.9 million and \$6.2 million, respectively. As a result of these capital raising efforts, the Company has alleviated the previously reported substantial doubt about its ability to continue as a going concern. For the year ended December 31, 2020, the Company incurred a net loss of approximately \$2.9 million and used cash in operations of approximately \$2.7 million. While the Company anticipates it will continue to incur operating losses and use cash in operating activities for the foreseeable future, the Company believes that its current working capital is sufficient in comparison to its anticipated cash usage for a period of at least the next twelve months subsequent to the filing date of these financial statements.

Use of Estimates

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the financial statements. The Company’s significant estimates used in these financial statements include, but are not limited to, fair value calculations for equity securities, stock-based compensation, the collectability of receivables, inventory valuations, the recoverability and useful lives of long-lived assets, 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.

See Note 2 – Summary of Significant Accounting Policies, Stock-Based Compensation for additional discussion of the use of estimates in estimating the fair value of the Company’s common stock.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consisted primarily of cash, accounts receivable, revenue and accounts payable.

*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 was an uninsured balance of \$8,513,010 as of December 31, 2020 and no uninsured cash balances as of December 31, 2019.

*Customer and Revenue Concentrations*

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

	<u>Revenue</u>		<u>Accounts Receivable</u>	
	<u>For the Years Ended</u>		<u>As of December 31,</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Customer A	*	*	70%	*
Customer B	*	*	19%	20%
Customer C	*	*	*	19%
Customer D	*	*	10%	33%
Customer E	*	*	*	17%
Customer F	*	43%	*	*
Customer G	18%	14%	*	*
Customer H	32%	*	*	*
Customer I	*	12%	*	*
Total	<u>50%</u>	<u>69%</u>	<u>99%</u>	<u>89%</u>

\* 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 from operations could fluctuate significantly due to changes in political, environmental, or economic conditions, or the loss of, reduction of business from, or less favorable terms with any of the Company's significant customers.

Accounts Receivable

Accounts receivable are carried at their contractual amounts, less an estimate for uncollectible amounts. As of December 31, 2020 and 2019, no allowances for uncollectible amounts were determined to be necessary. Management estimates the allowance for bad debts based on existing economic conditions, the financial conditions of the customers, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for bad debts only after all collection attempts have been exhausted.

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Inventory

Inventory is comprised of carbon fiber velvet (“CFV”) thermal interface solutions and internal short circuit batteries, which are available for sale. Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. The cost of inventory that is sold to third parties is included within cost of sales and the cost of inventory that is given as samples is included within operating expenses. The Company periodically reviews for slow-moving, excess or obsolete inventories. Products that are determined to be obsolete, if any, are written down to net realizable value. As of December 31, 2020, and 2019, the Company’s inventory was comprised solely of finished goods.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation which is recorded commencing at the in-service date using the straight-line method at rates sufficient to charge the cost of depreciable assets to operations over their estimated useful lives, which range from 3 to 7 years. Leasehold improvements are amortized over the shorter of (a) the useful life of the asset; or (b) the remaining lease term. Maintenance and repairs are charged to operations as incurred. The Company capitalizes cost attributable to the betterment of property and equipment when such betterment extends the useful life of the assets.

The Company reviews for the impairment of long-lived assets annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the present value of estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying value.

Fair Value of Financial Instruments

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

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

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example, cash flow modeling inputs based on assumptions)

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

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Preferred Stock

The Company applies the accounting standards for distinguishing liabilities from equity when determining the classification and measurement of its preferred stock. The Company's Preferred shares are classified as stockholders' equity because they are not subject to mandatory redemption, which would result in liability classified instruments measured at fair value and are not conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) which would result in temporary equity classified instruments.

Convertible Instruments

The Company evaluates its convertible instruments to determine if those contracts or embedded components of those contracts qualify as derivative financial instruments to be separately accounted for in accordance with Topic 815 of the FASB ASC. The accounting treatment of derivative financial instruments requires that the Company record embedded conversion options and any related freestanding instruments at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. Embedded conversion options and any related freestanding instruments are recorded as a discount to the host instrument.

If the instrument is determined not to be a derivative liability, the Company then evaluates for the existence of a beneficial conversion feature by comparing the market price of the Company's common stock as of the commitment date to the effective conversion price of the instrument.

Accrued Issuable Equity

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

Offering Costs

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

Revenue Recognition

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

**KULR TECHNOLOGY GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

- Product sales – Revenue is recognized at the point in time the customer obtains control of the goods and the Company satisfies its performance obligation, which is generally at the time it ships the product to the customer.
- Contract services – Revenue is recognized at the point in time that the Company satisfies its performance obligation under the contract, which is generally at the time the services are fulfilled and/or accepted by the customer.

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Product sales	\$ 404,467	\$ 735,431
Contract services	219,498	94,967
<b>Total revenue</b>	<b>\$ 623,965</b>	<b>\$ 830,398</b>

As of December 31, 2020 and 2019, the Company had \$ 20,000 and \$15,000 of deferred revenue, respectively, from contracts with customers. The contract liabilities 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. During the years ended December 31, 2020, and 2019, the Company recognized \$15,000 and \$0, respectively, of revenues that were included in deferred revenue in previous periods.

As of December 31, 2020 and 2019, the Company recorded \$31,212 and \$0, respectively, of deferred labor costs, which is included in prepaid expenses and other current assets in the Company’s consolidated balance sheets. Deferred labor costs represented costs to fulfill the Company's contract service revenue. The Company will recognize the deferred labor costs as cost of revenues at the point in time that the Company satisfies its performance obligation under the respective contract, which is generally at the time the services are fulfilled and/or accepted by the customer.

**Shipping and Handling Costs**

Shipping and handling costs incurred by the Company as well as fees received by customers for products shipped to customers are included in selling, general and administrative expenses in the consolidated statements of operations. For the years ended December 31, 2020 and 2019, shipping and handling costs amounted to \$18,887 and \$3,172, respectively.

**Research and Development**

Research and development include expenses incurred in connection with the R&D of our CFV thermal management solution and non-cash stock-based compensation expenses. Research and development expenses are charged to operations as incurred.



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Advertising Costs

Advertising costs are expensed in the period incurred. Advertising costs charged to operations for the years ended December 31, 2020 and 2019 were \$123,846 and \$49,300, respectively, and are included in selling, general and administrative in the consolidated statements of operations.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award since the fair value of the award is more readily determinable than the value of the services. The fair value of the award is measured on the grant date. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Upon the exercise of an award, the Company issues new shares of common stock out of its authorized shares.

During the year ended December 31, 2019 and the period from January 1, 2020 through June 17, 2020, it was determined that the Company's common stock had a fair value of \$0.66 per share, which was based on a number of factors, such as the examination of the sales of common stock for cash and the convertible preferred stock for cash etc. All of the shares of common stock sold during the year ended December 31, 2019 were sold at \$0.66 per share, therefore the value of the equity instruments issued during the stated periods were determined using a common stock fair value of \$0.66 per share.

For the period from June 18, 2020 through December 31, 2020, the Company estimated the fair value of the awards granted in this period to be based on the market value of its freely tradable common stock as reported on the OTCQB market. The Company determined the freely tradable common stock price became a reliable and accurate representation of its fair market value during this period as a result of increased share volume and dollar trading volume.

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. Dilutive common-equivalent shares consist of shares of non-vested restricted stock, if not anti-dilutive.

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Series B Convertible Preferred Stock	698,600	724,350
Series C Convertible Preferred Stock	—	240,100
Options	370,000	385,000
Warrants	6,787,911	210,025
<b>Total</b>	<b><u>7,856,511</u></b>	<b><u>1,559,475</u></b>

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Operating Leases

The Company leases properties under operating leases. For leases in effect upon adoption of Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)” at January 1, 2019 and for any leases commencing thereafter, the Company recognizes a liability to make lease payments, the “lease liability”, and an asset representing the right to use the underlying asset during the lease term, the “right-of-use asset”. The lease liability is measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate. The right-of-use asset is measured at the amount of the lease liability adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term, any unamortized initial direct costs, and any impairment of the right-of-use-asset. Operating lease expense consists of a single lease cost calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset.

The Company evaluated their operating lease and elected to apply the short-term lease measurement and recognition exemption in which the right of use asset and lease liability are not recognized for short-term leases. The adoption of this pronouncement did not have a material impact on the Company’s consolidated financial statements.

Income Taxes

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

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

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s financial statements as of December 31, 2020 and 2019. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

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

Reclassifications

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

Subsequent Events

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

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Recently Issued Accounting Pronouncements

In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments – Credit Losses (“ASU 2019-11”). ASU 2019-11 is an accounting pronouncement that amends ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The amendments update guidance on reporting credit losses for financial assets. These amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU are effective, as revised by ASU 2019-10, for annual reporting periods beginning after December 15, 2022, as extended, including interim periods within those fiscal years. All entities may adopt the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently evaluating ASU 2019-11 and its impact on its consolidated financial statements and financial statement disclosures.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in fiscal years after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. The Company is currently assessing the impact that this pronouncement will have on its consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10 "Codification Improvements", which improves consistency by amending the Codification to include all disclosure guidance in the appropriate disclosure sections and clarifies application of various provisions in the Codification by amending and adding new headings, cross referencing to other guidance, and refining or correcting terminology. The guidance is effective for the Company beginning in the first quarter of fiscal year 2022 with early adoption permitted. The Company is currently assessing the impact that this pronouncement will have on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In November 2018, the FASB issued Accounting Standards Update No. 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606 (“ASU 2018-18”), which clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer. In addition, ASU 2018-18 precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period, (1) for public business entities for periods for which financial 3 statements have not yet been issued and (2) for all other entities for periods for which financial statements have not yet been made available for issuance. The Company adopted ASU 2018-18 effective January 1, 2020 and its adoption did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-03, “Codification Improvements to Financial Instruments” (“ASU 2020-03”). ASU 2020-03 improves and clarifies various financial instruments topics. ASU 2020-03 includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The Company adopted ASU 2020-03 upon issuance, which did not have a material effect on the Company’s consolidated financial statements.

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**NOTE 3 PREPAID EXPENSES AND OTHER CURRENT ASSETS**

As of December 31, 2020 and 2019, prepaid expenses and other current assets consisted of the following:

	December 31,	
	2020	2019
Filing	\$ 9,944	\$ 9,858
Marketing	56,853	—
Deferred labor costs	31,212	—
Professional	10,603	4,134
Insurance	10,429	8,026
Security deposit	8,729	16,977
Other	31,426	4,206
Total prepaid expenses and other current assets	<u>\$ 159,196</u>	<u>\$ 43,201</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	December 31,		Estimated Useful Life
	2020	2019	
Computer equipment	\$ 11,525	\$ 13,355	3 years
Leasehold improvement	8,834	8,834	15 years or the remaining life of the lease
Software	5,656	5,656	3 years
Machinery & equipment	72,392	26,304	5 - 7 years
Research and development equipment	12,810	12,810	3 years
Furniture and fixtures	3,307	3,307	5 years
	<u>114,524</u>	<u>70,266</u>	
Less: accumulated depreciation	(56,667)	(42,750)	
Property and equipment; net	<u>\$ 57,857</u>	<u>\$ 27,516</u>	

Depreciation expense amounted to \$15,746 and \$17,275 for the years ended December 31, 2020 and 2019, respectively, which is included in selling, general and administrative expenses in the consolidated statements of operations.

During the year ended December 31, 2020, the Company disposed of \$1,829 of fully depreciated property and equipment.

**NOTE 5 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

As of December 31, 2020 and 2019, accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2020	2019
Payroll and vacation	\$ 279,054	\$ 525,917
Legal and professional fees	81,902	60,000
Other	34,056	73,482
Total accrued expenses and other current liabilities	<u>\$ 395,012</u>	<u>\$ 659,399</u>

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**NOTE 6 ACCRUED ISSUABLE EQUITY**

A summary of the accrued issuable equity activity during the year ended December 31, 2020, is presented below:

Balance, January 1, 2020	\$ —
Additions	205,297
Reclassifications to equity	(79,511)
Mark-to market	2,594
Balance, December 31, 2020	<u>\$ 128,380</u>

Accrued Issuable Equity for Services

During the year ended December 31, 2020, the Company entered into 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 \$205,297.

During the year ended December 31, 2020, the Company settled certain of its accrued issuable equity obligations through the issuance of an aggregate of 100,000 of its shares with an aggregate fair value of \$79,511, remeasured as of the date of settlement.

During the year ended December 31, 2020, the Company recorded an aggregate of \$2,594 of losses related to the change in fair value of accrued issuable equity (see Note 12 – Stockholders’ Deficiency, *Stock-Based Compensation* for additional details). The fair value of the accrued but unissued shares as of December 31, 2020 was \$128,380.

**NOTE 7 RELATED PARTY TRANSACTIONS**

Accounts Payable – Related Party

Accounts payable – related party consists of a liability of \$2,628 and \$4,253 as of December 31, 2020 and December 31, 2019, respectively, to Energy Science Laboratories, Inc. (“ESLI”), a company controlled by the Company’s Chief Technology Officer (“CTO”), in connection with consulting services provided to the Company associated with the development of the Company’s CFV thermal management solutions in prior periods.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities – related party consisted of a liability of \$0 and \$10,419 as of December 31, 2020 and 2019, respectively, to ESLI.

On September 30, 2019, ESLI agreed to forgive \$35,000 of previously accrued consulting fees. As a result, the Company accounted for the forgiveness as a capital contribution by reducing accrued expenses and other current liabilities by \$35,000 with a corresponding credit to additional paid-in capital.

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**NOTE 8 LINE OF CREDIT**

On February 18, 2020, the Company entered into a financing agreement (the “Line of Credit”) wherein it may borrow up to \$10,000. The repayment terms (interest rate, repayment amount and number of consecutive weekly periodic installments) are determined at the time the Company borrows proceeds under the Line of Credit.

On February 19, 2020, the Company borrowed and received gross proceeds of \$10,000 under the Line of Credit for its working capital needs, which was being repaid weekly over the 26-week period following the date of receipt at a weekly interest rate of 1.7%. The line of credit, including interest thereon, was repaid in July 2020. During the year ended December 31, 2020, the Company recorded interest expense of \$2,292 related to the Line of Credit.

**NOTE 9 NOTES PAYABLE**

A summary of the notes payable activity during the year ended December 31, 2020, is presented below:

	<b>Notes Payable</b>	<b>Debt Discount</b>	<b>Total</b>
Outstanding, January 1, 2020	\$ —	\$ —	\$ —
Issuances	4,000,000	(630,000)	3,370,000
Repayments in cash	(759,000)	—	(759,000)
Repayments from proceeds of SEDA	(791,000)	—	(791,000)
Amortization of debt discount	—	501,802	501,802
Outstanding, December 31, 2020	<u>\$ 2,450,000</u>	<u>\$ (128,198)</u>	<u>\$ 2,321,802</u>

During the year ended December 31, 2020, the Company entered into note purchase agreements with the YAII PN, Ltd., a Cayman Island exempt limited partnership (the “Investor”), pursuant to which the Investor purchased full recourse promissory notes (the “Notes”) in the original aggregate principal amount of \$4,000,000 (“Principal Amount”) for cash proceeds of \$3,710,000. The Notes included an original issue discount of \$290,000, which represents the difference between the principal and proceeds received. The original issue discount, along with the \$340,000 advisory fees were recorded as a debt discount which are being amortized over the term of the respective Notes using the effective interest rate method.

The Notes bears no coupon interest (original issue discount only) and will become immediately due and payable on May 31, 2021 or June 30, 2021, depending on the Note, or upon acceleration, redemption or otherwise upon the occurrence of an event of default, as set forth in the Notes and which includes the early termination of a standby equity distribution agreement with the Investor (see Note 12 – Stockholders’ (Deficiency) Equity, *Standby Equity Distribution Agreement*). The Company is required to repay the Principal Amount in monthly installments as set forth in the agreements. The Company may, at its discretion, prepay any installment amount or the principal amount, subject to a payment premium equal to the 10% of the amount being prepaid. Further, pursuant to the terms of the Notes, the Company may decrease any installment payment, up to three times per Note, by up to 50%, of which the decreased amount is added to the final installment due on the maturity date.

The Company elected to decrease the monthly installment payments due during May and August 2020 by an aggregate of \$225,000. The decrease of \$225,000 will be added to the final monthly installment due on the respective maturity date.

**NOTE 10 LOAN PAYABLE**

On April 27, 2020, the Company received \$155,226 of cash proceeds pursuant to an unsecured loan (the “PPP” Loan) provided in connection with the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act and applicable regulations (“CARES Act”).

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Under the terms of the CARES Act, as amended by the Paycheck Protection Program Flexibility Act of 2020, the Company is eligible to apply for and receive forgiveness for all or a portion of the PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for certain permissible purposes as set forth in the PPP, including, but not limited to, payroll costs (as defined under the PPP) and mortgage interest, rent or utility costs (collectively, “Qualifying Expenses”) incurred during the 24 weeks subsequent to funding, and on the maintenance of employee and compensation levels, as defined, following the funding of the PPP Loan. The Company used the proceeds of the PPP Loan for Qualifying Expenses. However, no assurance is provided that KULR will be able to obtain forgiveness of the PPP Loan in whole or in part. Any amounts not forgiven incur interest at 1.0% per annum and monthly repayments of principal and interest are deferred to the earlier of (i) when the Small Business Administration remits the forgiven amount to the lender or notifies the lender that no forgiveness is allowed or (ii) October 31, 2021. While the Company’s PPP Loan currently has a two-year maturity, the amended law will permit the Company to request a five-year maturity, subject to the approval of the counterparty. As of December 31, 2020, the Company’s accrued interest related to the PPP Loan was \$923.

**NOTE 11 INCOME TAXES**

The income tax provision for the years ended December 31, 2020 and 2019 consists of the following:

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Federal:</b>		
Current	\$ —	\$ —
Deferred	(474,692)	(418,667)
<b>State and local:</b>		
Current	—	—
Deferred	(164,651)	(75,967)
	(639,343)	(494,634)
Change in valuation allowance	639,343	494,634
Income tax provision	<u>\$ —</u>	<u>\$ —</u>

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

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Tax benefit at federal statutory rate	(21.0)%	(21.0)%
State income taxes, net of federal benefit	(6.0)%	(6.0)%
Permanent differences	0.5%	1.6%
Other and prior year true-ups	4.1%	0.4%
Change in valuation allowance	22.4%	25.0%
Effective income tax rate	<u>0.0%</u>	<u>(0.0)%</u>

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

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

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$ 2,799,135	\$ 1,975,739
Research and development credit carryforwards	51,199	152,785
Stock-based compensation	11,062	11,062
Accruals	68,082	150,548
Gross deferred tax assets	2,929,478	2,290,134
Valuation allowance	<u>(2,929,478)</u>	<u>(2,290,134)</u>
Deferred tax asset, net of valuation allowance	<u>\$ —</u>	<u>\$ —</u>
Changes in valuation allowance	<u>\$ 639,344</u>	<u>\$ 494,634</u>

At December 31, 2020 and 2019, the Company had federal net operating loss carry forwards of approximately \$10.4 million and \$7.3 million, respectively. At December 31, 2020, approximately \$3.9 million of federal net operating losses will expire from 2033 to 2037, and approximately \$6.5 million will have no expiration. At December 31, 2020 and 2019, the Company had state net operating loss carry forwards of approximately \$10.2 million and \$7.1 million, respectively, which will begin to expire in 2024.

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

The Company files federal and state (California) tax returns which are subject to audit for the years ending on or after December 31, 2016. No tax audits were commenced or were in process during the years ended December 31, 2020 and 2019.

**NOTE 12 STOCKHOLDERS' EQUITY (DEFICIENCY)**

Authorized Capital

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



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On November 16, 2020, the Company's board of directors (the "Board") approved, by unanimous written consent, to amend (the "Amendment") the Company's Certificate of Incorporation effecting a reverse split of its issued and outstanding common stock at a ratio no greater than one-for-eight, with such ratio to be determined at the sole discretion of the Board (or its designee or designees) and with such reverse split to be effected at such time and date, if at all, as determined by the Board in its sole discretion (provided that it is effected within one year of the date on which the stockholders of the Corporation approve the Reverse Split). On November 16, 2020, the voting stockholders, acting by written consent, approved the Amendment and the Reverse Split. See Note 14 – Subsequent Events for additional details.

Equity Incentive Plan

On August 15 and November 5, 2018, the Board of Directors and a majority of the Company's shareholders, respectively, approved the 2018 Equity Incentive Plan (the "2018 Plan"). Under the 2018 Plan, 15,000,000 shares of common stock of the Company are authorized for issuance. The 2018 Plan provides for the issuance of incentive stock options, non-statutory stock options, rights to purchase common stock, stock appreciation rights, restricted stock and restricted stock units to employees, directors and consultants of the Company and its affiliates. The 2018 Plan requires the exercise price of stock options to be not less than the fair value of the Company's common stock on the date of grant. As of December 31, 2020, there were 13,841,047 shares available for issuance under the 2018 Plan.

Series A Preferred Stock

Each record holder of Series A Preferred Stock shall have the right to vote on any matter with holders of the Company's common stock and other securities entitled to vote, if any, voting together as one (1) class. Each record holder of Series A Preferred Stock is entitled to one-hundred (100) votes per share of Series A Preferred Stock held by such holder.

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

On November 5, 2018, the Company received a written consent of the majority of the stockholders to issue 1,000,000 shares of the Company's Series A Preferred Stock to Mr. Mo, as a measure to protect the Company from an uninvited takeover. As of the date of filing, the shares of Series A Preferred Stock have not been issued.

Series B Convertible Preferred Stock

On November 30, 2018, the Company filed with the Secretary of State of the State of Delaware the Certificate of Designation of Series B Convertible Preferred Stock (the "Certificate of Designation"), which became effective upon filing.

The Company designated 31,000 shares as Series B Convertible Preferred Stock out of the authorized and unissued preferred stock of the Company, par value \$0.0001 per share. The Series B Convertible Preferred Stock does not contain any redemption provisions or other provisions requiring cash settlement within control of the holder. Series B Convertible Preferred Stock is senior in liquidation preference to common stock. Holders of shares of Series B Convertible Preferred Stock are not entitled to voting rights and dividend rights. Each share of Series B Convertible Preferred Stock, after 181 days after issuance and without the payment of additional consideration, shall be convertible at the option of the holder into fifty (50) fully paid and non-assessable shares of common stock. It was determined that the embedded conversion option is clearly and closely related to the equity host, therefore it is not bifurcated and not accounted for as a derivative. Each share of Series B Convertible Preferred Stock shall have a stated value of \$1.00 per share.

During the year ended December 31, 2019, holders of Series B Convertible Preferred Stock elected to convert an aggregate of 16,371 shares of Series B Convertible Preferred Stock into an aggregate of 818,550 shares of common stock.

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During the year ended December 31, 2020, a holder of 515 shares of Series B Convertible Preferred Stock elected to convert their shares into 25,758 shares of common stock.

Series C Convertible Preferred Stock

On August 19, 2019, the Company filed with the Secretary of State of the State of Delaware the Certificate of Designation of Series C Convertible Preferred Stock (the "Certificate of Designation"), which became effective upon filing. Pursuant to the Certificate of Designation, the Company designated 400 shares as Series C Convertible Preferred Stock out of the authorized and unissued preferred stock of the Company, par value \$0.0001 per share.

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

Each share of Series C Convertible Preferred Stock, if converted within 180 days of such share's initial issuance, is convertible into a number of shares of common stock equal to the product determined by multiplying (i) the number of shares of Series C Convertible Preferred Stock being converted and any accrued dividends thereon and (ii) \$1.00 per share. Each share of Series C Convertible Preferred Stock, if converted on or after the 181<sup>st</sup> day of its initial issuance, is convertible into a number of shares of common stock equal to the product determined by multiplying (i) the number of shares of Series C Convertible Preferred Stock being converted and any accrued dividends thereon and (ii) 75% of the average of the trading prices five days prior to conversion but in no case less than \$0.90 per share. In addition, all outstanding shares of Series C Convertible Preferred Stock shall be automatically converted upon the occurrence of a qualified offering of at least \$5 million of gross proceeds ("Qualified Offering") or an approved listing of common stock on a national stock exchange ("Uplisting"). In the event of a Qualified Offering, each share of Series C Convertible Preferred Stock would be converted into the securities offered in the Qualified Offering determined by dividing (i) the Stated Value of the number of shares of Series C Convertible Preferred Stock being converted and any accrued dividends thereon and (ii) 85% of the price of the securities sold in the Qualified Offering. In the event of an Uplisting, each share of Series C Convertible Preferred Stock would be converted into a number of shares of common stock equal to the product determined by dividing (i) the Stated Value of the number of shares of Series C Convertible Preferred Stock being converted and any accrued dividends thereon and (ii) if converted within 180 days of such share's initial issuance, \$1.00 per share, and if converted on or after the 181<sup>st</sup> day of its initial issuance, 75% of the average of the trading prices five days prior to conversion but in no case less than \$0.90 per share.

The Series C Convertible Preferred Stock is redeemable at the Company's option; therefore, it has been classified within stockholders' equity (deficiency) on the consolidated balance sheet. An overall analysis of its features performed by the Company determined that the Series C Convertible Preferred Stock was more akin to equity. As a result, while the embedded conversion option ("ECO") contained certain anti-dilution price protection mechanisms, since the ECO was clearly and closely related to the equity host, it was not required to be bifurcated and accounted for as a derivative liability under ASC 815. The Company determined that the Series C Convertible Preferred Stock did not contain a beneficial conversion feature at issuance since the conversion price exceeded the estimated fair value of the Company's common stock as of the commitment date, however, the Company did recognize a contingent beneficial conversion feature in connection with a Qualified Offering, as described below within this footnote.

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During the year ended December 31, 2019, the Company sold to certain investors an aggregate of 24.01 shares of Series C Convertible Preferred Stock and two-year immediately vested warrants to purchase an aggregate of 60,025 shares of the Company's common stock at an exercise price of \$1.50 per share for aggregate gross proceeds of \$216,000, less cash issuance costs of \$32,000, for aggregate net proceeds of \$184,000. The warrants, which were determined to be classified within stockholders' equity (deficiency), had an aggregate issuance date fair value of \$12,515. The Company has computed the fair value of warrants using the Black-Scholes pricing model with the following assumptions: risk free interest rate: 1.53% - 1.74%; expected term – 2 years, expected volatility - 97%, expected dividends – 0%.

During the year ended December 31, 2020, certain holders of 5.11 shares of Series C Convertible Preferred stock elected to convert their shares into an aggregate of 56,777 shares of common stock.

During the year ended December 31, 2020, a Qualified Offering occurred and 18.90 shares of Series C Convertible Preferred Stock were mandatorily converted into an aggregate of 177,885 shares of common stock of the Company and warrants for the purchase of an aggregate of 177,855 shares of common stock of the Company. The warrants are immediately exercisable and may be exercised at any time until December 31, 2025, at an exercise price of \$1.25 per share. As a result of the Series C Preferred Stock having an effective conversion price that was lower than the market price on the commitment date, the Company immediately recognized a beneficial conversion feature of \$1,735 as a deemed dividend, which increased the net loss attributable to common stockholders. Additionally, since the Company had an accumulated deficit, the impact was equity neutral to its additional paid-in capital.

Common Stock

During the year ended December 31, 2019, the Company sold an aggregate of 1,361,059 shares of common stock at \$0.66 per share to accredited investors for aggregate gross proceeds of \$898,300.

During the year ended December 31, 2019, the Company issued 140,000 shares of common stock under the 2018 Plan and 45,966 shares of restricted common stock to consultants in exchange for services, which vested immediately. The grant date value of the common stock and restricted common stock were \$133,660 during the year ended December 31, 2019.

During the year ended December 31, 2020, the Company issued an aggregate of 238,953 shares of common stock with a grant date value of \$275,500 for legal and consulting services, of which (i) 166,453 shares were immediately vested, (ii) 12,500 shares vest on the six-month anniversary following the respective issuance date, and (iii) 60,000 shares vest on the two-year anniversary following the respective issuance date upon completion of the service period, subject to the Company's claw back, based upon the satisfaction of meeting general performance parameters which as of December 31, 2020 were probable to be achieved. The grant date fair value of the common stock will be recognized as stock-based compensation expense ratably over the respective vesting periods. See *Stock-Based Compensation* section within this footnote for additional details.

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*Public Offering*

On December 29, 2020, the Company entered into a securities purchase agreement (the “Public Offering Purchase Agreement”) with investors for the purchase and sale of an aggregate of 6,400,001 shares of the Company’s common stock (the “Shares”) and warrants to purchase an aggregate of up to 6,400,001 shares of common stock (“Warrants”), in a registered direct offering at a combined purchase price of \$1.25 per Share and Warrant, for aggregate gross proceeds to the Company of \$8,000,001. The Warrants are immediately exercisable and may be exercised at any time until December 31, 2025, at an exercise price of \$1.25 per share. The Warrants were determined to be classified within stockholders’ equity (deficiency) at their fair value. The Company intends to use the net proceeds from this offering for working capital and general corporate purposes, as well as for capital expenditures. This registered direct offering closed on December 31, 2020. Additionally, pursuant to the Public Offering Purchase Agreement, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company of common stock involving a variable rate transaction (“Variable Rate Transaction”) until such time as no Purchaser holds any of the Warrants.

Pursuant to a co-placement agency agreement (the “Placement Agreement”) dated December 29, 2020 by and among the Company, Lake Street Capital Markets, LLC (“Lake Street”) and Maxim Group LLC (“Maxim”) (together with Lake Street, the “Co-Placement Agents”), the Company retained Lake Street and Maxim to act as the Company’s co-placement agents in connection with the registered direct offering. Pursuant to the Placement Agreement, the Company agreed to pay the co-placement agents a cash fee of 7.0% of the gross proceeds the Company receives under the Purchase Agreement. The Company also agreed to reimburse the co-placement agents for certain out-of-pocket accountable expenses incurred by them in connection with this offering, which amounted to \$50,000. The total offering expenses incurred by the Company, other than the placement agent fees, were \$170,152, which included the co-placement agents’ reimbursable expenses, legal, financial advisory fees, accounting, printing costs, listing fees, and various other expenses associated with registering and issuing the shares. As of December 31, 2020, of the offering costs described above, an aggregate of \$24,852 of offering costs remained unpaid and were accrued for.

Standby Equity Distribution Agreement

On February 27, 2020, KULR Technology Group, Inc. entered into a Standby Equity Distribution Agreement (“SEDA”) with the Investor, pursuant to which the Company may, at its discretion, sell to the Investor up to \$8,000,000 of shares of the Company’s common stock (the “Offering”), par value \$0.0001 per share (the “Common Stock”). For each share of Common Stock purchased under the SEDA (the “Shares”), the Investor will pay the Company 80% of the lowest daily volume weighted average price of the Common Stock on the OTC Markets OTCQB or other principal market on which the Common Stock is traded for the five days immediately following the date the Company delivers notice requiring the Investor to purchase the Shares under the SEDA.

The commitment period under the SEDA commenced on February 27, 2020 (the “Effective Date”) and expires on the earliest to occur of (i) first day of the month following the twenty-four months after the Effective Date, (ii) the date on which the Investor has purchased an aggregate amount of \$8,000,000 of Shares under the SEDA, or (iii) the date the SEDA is earlier terminated. As of December 31, 2020, the Company was prohibited from issuing shares pursuant to the SEDA as a result of it being a Variable Rate Transaction pursuant to the Public Offering Purchase Agreement, described above.

Among other things, the Investor’s obligation to purchase the Shares under the SEDA is subject to certain conditions, including the Company maintaining the effectiveness of a registration statement for the securities sold under the SEDA, and is subject to the Investor’s approval for amounts over \$100,000. In addition, the Company may not request advances if the Shares to be issued would result in the Investor owning more than 4.99% of the Company’s outstanding Common Stock, with any such request being automatically modified to reduce the advance amount. The Company shall not be able to request advances under the SEDA if the Registration Statement is not effective or if any issuances of Common Stock pursuant to any Advances would violate any rules.

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The SEDA contains customary representations, warranties and agreements of the Company and the Investor, indemnification rights and other obligations of the parties. The Company has the right to terminate the SEDA at any time upon prior written notice, at no cost to the Company, provided that (i) there are no outstanding advances which have yet to be issued and (ii) the Company has paid all amounts owed to the Investor, including amounts borrowed under the Note. The Investor has covenanted not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of the Company's shares of Common Stock.

The Company paid cash of \$15,000 and issued 95,847 shares of Common Stock to the Investor as consideration for entering into the SEDA. The shares of common stock issued to the Investor had an issuance date fair value of \$63,259. The aggregate consideration of \$78,259 was recorded as deferred offering costs and additional paid in capital on the consolidated balance sheet.

During the year ended December 31, 2020 the Company issued an aggregate of 1,841,548 shares of common stock, at prices between \$0.72 - \$1.65 per share, for aggregate proceeds of \$2,214,437, in connection with notices submitted to the Investor under the SEDA, of which \$791,000 of the proceeds, were applied directly against the Notes. As of December 31, 2020, the Company had approximately \$5,707,305 available in connection with the SEDA, however, so long as warrants issued on December 31, 2020 in an unrelated transaction remain outstanding, the Company may not issue shares in connection with Variable Rate Transactions pursuant to the Public Offering Purchase Agreement, described above.

#### Warrants

On June 10, 2019, the Company issued two-year immediately vested warrants to purchase an aggregate of 150,000 shares of the Company's common stock at an exercise price of \$1.00 per share to certain vendors in connection with consulting agreements. The warrants vested immediately on the date of issuance. The warrants, which were determined to be classified within stockholders' deficiency, had an aggregate issuance date fair value of \$40,974. The Company has computed the fair value of the warrants using the Black Scholes option pricing model with the following valuation assumptions: risk free interest rate – 1.90%, contractual term – 2.0 years, expected volatility –97%, expected dividends – 0%.

During the year ended December 31, 2019, the Company issued two-year immediately vested warrants to purchase an aggregate of 60,025 shares of the Company's common stock at an exercise price of \$1.50 per share to certain investors in connection with the Series C Convertible Preferred Stock sales. (See Note 12 – Stockholders' Deficiency, Series C Convertible Preferred Stock).

For details regarding the issuance of warrants for the purchase of an aggregate of 177,885 and 6,400,001 shares of common stock of the Company during the year ended December 31, 2020, see Note 12 – Stockholders' Equity (Deficiency), Series C Convertible Preferred Stock and Common Stock, respectively.

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A summary of warrants activity during the year ended December 31, 2020 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2020	210,025	\$ 1.14		
Issued	6,577,886	1.25		
Exercised	—	—		
Expired	—	—		
Forfeited	—	—		
Outstanding, December 31, 2020	<u>6,787,911</u>	<u>\$ 1.25</u>	4.9	<u>\$ 1,517,635</u>
Exercisable, December 31, 2020	<u>6,787,911</u>	<u>\$ 1.25</u>	4.9	<u>\$ 1,517,635</u>

A summary of outstanding and exercisable warrants as of December 31, 2020 is presented below:

Warrants Outstanding			Warrants Exercisable	
Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants	
\$ 1.00	150,000	0.4	150,000	
\$ 1.25	6,577,886	5.0	6,577,886	
\$ 1.50	60,025	0.7	60,025	
	<u>6,787,911</u>	4.9	<u>6,787,911</u>	

Stock Options

On September 20, 2019, the Company granted five-year options to purchase a total of 100,000 shares of common stock at an exercise price of \$0.66 per share to employees pursuant to the 2018 Plan. The options vested one-fifth on the first anniversary of the employment date and the remaining options vest monthly over three years. The options had an aggregate grant date value of \$35,510 which is recognized over the vesting period.

On January 1, 2020, the Company granted five-year options to purchase a total of 10,000 shares of common stock at an exercise price of \$0.66 per share to an employee pursuant to the 2018 Plan. One-fourth of the options will vest on the first-year anniversary of the grant date and the remaining options vest monthly over three years. The options had an aggregate grant date value of \$3,609 which is recognized over the vesting period.

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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 assumptions:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk free interest rate	1.58%	1.69%
Expected term (years)	2.50	2.50
Expected volatility	93.00%	91.00%
Expected dividends	0.00%	0.00%

Option forfeitures are accounted for at the time of occurrence. The expected term used is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the “simplified” method to develop an estimate of the expected term of “plain vanilla” employee option grants. The Company does not yet have a trading history to support its historical volatility calculations. Accordingly, the Company is utilizing an expected volatility figure based on a review of the historical volatility of comparable entities over a period of time equivalent to the expected life of the instrument being valued. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

The weighted average grant date fair value per share of options granted during both years ended December 31, 2020 and 2019 was \$0.36.

A summary of options activity during the year ended December 31, 2020 is presented below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Term (Yrs)</b>	<b>Intrinsic Value</b>
Outstanding, January 1, 2020	385,000	\$ 0.66		
Granted	10,000	0.66		
Exercised	—	—		
Expired	(8,649)	(0.66)		
Forfeited	(16,351)	(0.66)		
Outstanding, December 31, 2020	<u>370,000</u>	<u>\$ 0.66</u>	<u>3.1</u>	<u>\$ 299,700</u>
Exercisable, December 31, 2020	<u>244,157</u>	<u>\$ 0.66</u>	<u>3.1</u>	<u>\$ 197,767</u>

The following table presents information related to stock options as of December 31, 2020:

<b>Options Outstanding</b>		<b>Options Exercisable</b>	
<b>Exercise Price</b>	<b>Outstanding Number of Options</b>	<b>Weighted Average Remaining Life In Years</b>	<b>Exercisable Number of Options</b>
\$ 0.66	370,000	3.1	244,157

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Stock-Based Compensation

During the years ended December 31, 2020 and 2019, the Company recognized stock-based compensation expense of \$343,854 and \$220,625, respectively, related to restricted common stock, warrants and stock options which are included within selling, general and administrative expenses and research and development expenses on the consolidated statements of operations. During the years ended December 31, 2020 and 2019, the Company recognized stock-based compensation related to research and development of \$30,932 and \$36,022, respectively. During the years ended December 31, 2020 and 2019, the Company recognized stock-based compensation related to selling, general and administrative expenses of \$312,922 and \$184,603, respectively. As of December 31, 2020, there was \$47,021 of unrecognized stock-based compensation expense that will be recognized over the weighted average remaining vesting period of 1.50 years.

The following table presents information related to stock-based compensation for the years ended December 31, 2020 and 2019:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Common stock (issued)	\$ 178,642	\$ 133,660
Stock options	39,426	45,994
Warrants	—	40,971
Accrued issuable equity (common stock)	125,786	—
<b>Total</b>	<b>\$ 343,854</b>	<b>\$ 220,625</b>

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

Operating Lease

On December 30, 2018, KULR Technology Group, Inc. entered into a lease addendum to extend its lease of 5,296 square feet of space located in San Diego, California with respect to its research and development activities until December 31, 2019. The base rent was \$4,452 per month plus association fees of \$555 per month. In connection with the lease, the Company paid the landlord a security deposit of \$8,729. The lease was renewed on January 1, 2020 under a six-month lease agreement ending June 30, 2020. The base rent was increased to \$4,552 per month plus association fees of \$555 per month. On June 15, 2020, the Company entered into an agreement to extend the term of its original office space lease from June 30, 2020 to December 31, 2020. Monthly rental payments under the renewed lease total \$5,107, which are comprised of \$4,552 of base rent plus \$555 of association fees. The lease was renewed subsequent to December 31, 2020 (see Note 14 – Subsequent Events). The Company evaluated this operating lease and determined that the short-term exemption available under ASC 842 applied since the lease term is less than 12 months and the lease does not include a purchase option whose exercise is reasonably certain. Since the short-term exemption applies, lease payments are recognized as expense and no right of use asset or lease liability is recorded.

On March 8, 2018, KULR Technology Corporation took over ESLI's lease agreement and entered into a one-year lease agreement to lease 6,754 square feet of space located in San Diego, California with respect to its research and development activities starting May 1, 2018. The base rent was \$8,150 per month. In connection with the lease, the Company recorded a liability to ESLI in connection with the security deposit of \$8,150. The aggregate base rent payable over the lease term was recognized on a straight-line basis. On March 22, 2019, the Company extended the lease for 8 months with a base rent of \$8,442 starting May 1, 2019. The Company moved out of the space as of December 15, 2019.

During the years ended December 31, 2020 and 2019, operating lease expense was \$63,751 and \$162,520, respectively. As of December 31, 2020, the Company does not have any financing leases.



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Patent License Agreement

On March 21, 2018, the Company entered into an agreement with the National Renewable Energy Laboratory (“NREL”) granting the Company an exclusive license to commercialize its patented Internal Short Circuit technology. The agreement is effective for 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 to NREL the following: (i) a cash payment of \$12,000 payable over one year, (ii) royalties ranging from 1.5% to 3.75% on the net sales price of the licensed products, as defined in the agreement, with minimum annual royalty payments ranging from \$0 to \$7,500. In addition, the Company shall use commercially reasonable efforts to bring the licensed products to market through a commercialization program that requires that certain milestones be met, as specified in the agreement. During the years ended December 31, 2020 and 2019, the Company recorded royalties of \$1,906 and \$1,290, respectively, which were included within cost of revenues.

Sales Taxes

States impose sales tax on certain sales to nonexempt customers. As of December 31, 2020, the Company collected and owes state sales tax to its home state of California in the amount of \$3,330. Majority, of the Company’s sales during the year ended December 31, 2020 were not taxable as a result of the following: (i) a certain portion of the Company’s sales are design and engineering services which are not subject to sales tax, (ii) certain product sales are shipped to non-US countries, states outside of California, or tax-exempt government agencies, (iii) the Company’s customers are licensed resellers of the products and accordingly are exempt from the pass through of sales taxes. The Company did not collect or owe sales taxes during the year ended December 31, 2019. If, during an inspection by a tax authority, the Company was unable to support its customers’ tax exemption status, the Company may be subject to a liability for sales taxes not collected.

Consulting Agreement

On September 30, 2020, the Company entered into a 2-year consulting agreement with a contractor to provide services as an Advisory Board Member related to government and defense acquisitions in exchange for 60,000 shares of restricted common stock. Pursuant to the consulting agreement, the shares are subject to the Company’s claw back, based upon the satisfaction of meeting general performance parameters. As of December 31, 2020, it was probable the contractor would satisfy the performance parameters and, as a result, the grant date fair value of the common stock is being recognized as stock-based compensation expense ratably over the vesting period. See Note 12 – Stockholders’ Equity (Deficiency) for additional details.

**NOTE 14      SUBSEQUENT EVENTS**

Repayments of the Notes Payable

Subsequent to December 31, 2020, the Company repaid principal on the Notes in the aggregate amount of \$1,050,000.

Election of Directors and Appointment of Certain Officers

Subsequent to December 31, 2020, the Board of the Company appointed Joanna D. Massey, Morio Kurosaki and Stayce D. Harris as directors on the Board, to hold office until the earlier of the expiration of the term of office of the director whom they have replaced, a successor is duly elected and qualified, or the earlier of such director’s death, resignation, disqualification, or removal. Dr. Massey’s, Mr. Kurosaki’s and Ms. Harris’ appointment is contingent upon the Company’s common stock being approved for uplisting to a national exchange. Furthermore, subject to approval for uplisting to a national exchange, each director will receive quarterly cash compensation equal to \$10,000 and each director will be granted 20,000 shares of common stock, which shares shall vest quarterly in 5,000 share installments with the first installment vesting immediately upon approval for uplisting to a national exchange.

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Subsequent to December 31, 2020, the Company entered into a consulting agreement with Keith Cochran to act in the capacity of Executive Vice President. The consultant provided management and business development services to the Company. In consideration for services provided in January and February 2021, the Company compensated the consultant with \$10,000 per month and 10,000 shares of its common stock per month. Effective March 1, 2021, the Company appointed Keith Cochran as President and Chief Operating Officer (“COO”) of the Company, to hold office until the earlier of the expiration of the term of office, a successor is duly elected and qualified, or the earlier of such officer’s death, resignation, disqualification, or removal. The COO will receive cash compensation of \$250,000 per annum and received an aggregate of 2,000,000 shares of its common stock, which shares will vest in four equal annual installments beginning on March 1, 2022. Additionally, the COO is eligible for incentive based share grants totaling up to 1,500,000 shares of the Company’s common stock, which will be earned based on certain market cap achievement up to \$4 billion.

Subsequent to December 31, 2020, the Company entered into an at-will employment arrangement with its Senior Director of Product Development. In connection with the hire of its Senior Director of Product Development the Company agreed to issue 50,000 shares of its common stock which shares will vest in four equal annual installments beginning on the first-year anniversary of the hire date. Additionally, the Company granted a five-year option to purchase 100,000 shares of common stock at an exercise price of \$2.44 per share, pursuant to the 2018 Plan. One-fourth of the options will vest on the first-year anniversary of the grant date and the remaining options vest monthly over three years.

Operating Lease Renewal

Subsequent to December 31, 2020, the Company entered into a lease addendum to extend the term of its original lease, located in San Diego, California with respect to its research and development activities, from December 31, 2020 to June 30, 2021. Monthly rental payments under the renewed lease total \$5,127, which is comprised of \$4,572 of base rent plus \$555 of association fees.

Series B Convertible Preferred Stock

Subsequent to December 31, 2020, the Company issued 698,600 shares of common stock upon conversion of 13,972 shares of the Company’s Series B Preferred Stock.

**DESCRIPTION OF CAPITAL STOCK**

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

**Authorized Capital Stock**

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

**Common Stock**

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

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

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

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

**Preferred Stock**

Under our certificate of incorporation and subject to the limitations prescribed by law, our Board, without stockholder approval, may issue our preferred stock in one or more series, and may establish from time to time the number of shares to be included in such series and may fix the designation, powers, privileges, preferences and relative participating, optional or other rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof.

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

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

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

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

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

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

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

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

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

#### **Transfer Agent and Registrar**

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

#### **Market Information**

Our common stock is quoted on the OTCQB tier of the OTC Markets Group, Inc. under the symbol “KULR.”

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of KULR Technology Group, Inc. on Form S-3 (File No. 333-232614) and Form S-8 (File No. 333-227751) of our report dated March 19, 2021 with respect to our audits of the consolidated financial statements of KULR Technology Group, Inc. and Subsidiary as of December 31, 2020 and 2019 and for each of the two years in the period ended December 31, 2020, which report is included in this Annual Report on Form 10-K of KULR Technology Group, Inc. for the year ended December 31, 2020.

/s/ Marcum LLP

Marcum LLP  
Los Angeles, CA  
March 19, 2021

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

I, Michael Mo, certify that:

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

Dated: March 19, 2021

By: /s/ Michael Mo

Michael Mo  
Chief Executive Officer  
(Principal Executive Officer)

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

I, Simon Westbrook, certify that:

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

Dated: March 19, 2021

By: /s/ Simon Westbrook

Simon Westbrook  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the annual report of KULR Technology Group, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2020, 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: March 19, 2021

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

Dated: March 19, 2021

By: /s/ Simon Westbrook  
Simon Westbrook  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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