



THIRD QUARTER 2021



INTRODUCTION

Circa is a biotech company producing unique and highly valuable biochemicals. Using abundant and renewable biowaste such as sawdust, Circa makes Levoglucosenone (LGO) in its scalable and patented Furacell™ production process. LGO is a biomolecule platform used to produce multiple sustainable biochemicals that can replace toxic fossil-based chemicals widely used today in a wide range of applications; pharmaceuticals, agrochemicals, flavors, fragrances, electronics, batteries, paints, graphene, polymers, and many other applications where bio-based alternatives to current industrial chemicals represent innovative, cost-effective solutions.

The parent company, Circa Group AS, is incorporated in Norway and has its head office in Oslo. The company is listed on Euronext Growth Oslo with the ticker code CIRCA.

REPORT OF THE BOARD OF DIRECTORS FOR THE THIRD QUARTER OF 2021

Q3 2021 HIGHLIGHTS

ReSolute™ development under continuing Covid-19 restrictions continues to be challenging, but progressing. The result of the basic engineering work by Wood and internal reviews saw the project costs escalate to a figure between €50-55m and this was communicated to the market on October 14th. At this stage Circa is working on activities to address the capex increase such as internal reallocation of funds, exploring grants and vendor financing opportunities to ensure that the ReSolute™ project remains well capitalised.

Q3 proceeds on the expected run rate. Cash outflow was impacted by payments for engineering work and incentives related to listing, as well as some earlier payments than originally planned to secure progress on ReSolute™.

During the quarter Circa searched for a Global Head of Manufacturing and this appointment has recently been confirmed and Mr Philipp Morgenthaler will start with Circa May 1st 2022. Tone Leivestad commenced as CFO on September 1st 2021.

Market activities continue to be positive with two further distribution companies in discussions for Cyrene™. offtake agreements - one for the UK markets and another for Australia and specific Asian country markets. In parallel, Product development work has progressed with the formation of an internal project team under Dr Marc Hein looking to progress earlier work in flavours, pharma, agrochemicals and polymers. These opportunities are - or will be - directly related to specific customers where demand for more sustainable and / or non-petroleum based supply chain are emerging.

Profit & Loss

Circa Group is consolidated by using the reversed acquisition method where the historical financial statements are a continuance of CGL. As such, the 2020 income statement is consolidated for CGL only and not comparable to the consolidated income statement for 2021.

The main operational activity for the Group in the quarter has been related to the ReSolute™ plant and organization of the group in Europe.

Income

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant in the third quarter of 2023.

Expenses

Expenses in the quarter are mainly related to employee expenses and expenses to establish and develop the group in Europe.

Incentive plans

The group cancelled its previous incentive program and replaced it with a short-term and long-term plan effective first quarter 2021. First payment on the short-term plan had cash effect of approx. EUR 350 in July. As the long-term plan has the optionality for both cash- and share based settlement, changes in estimate is expensed with approx. EUR 100 thousand in the quarter.

Balance Sheet

As of 30 September 2021, Circa had cash and cash equivalents of EUR 46.8 million, total assets of EUR 48.0 million and equity of EUR 42.3 million. Expenses capitalized per 30 September 2021 is EUR 1,624 thousand.

Investment value

Effective 9 February 2021, Circa reorganized and established a new ultimate holding company, CGAS. As there were no significant changes in the organization nor ownership structure, the group is consolidated by using the reversed acquisition method where the historical financial statements are a continuance of CGL. As such, the balance sheet is consolidated for CGL only and not comparable to the consolidated balance sheet for 2020. CGAS's acquisition of CGL is not reflected in the consolidated balance sheet as this is not treated as a transaction in accordance with IFRS. As a result, the consolidated balance sheet for 2021 are a continuance of previous book values.

Grant

The Group is part of the ReSolute™ consortium, which received the EU Horizon 2020 Flagship grant of EUR 11.6 million. Circa is leading the consortium and will undertake most of the work packages described in the ReSolute™ project, thus the share of the grant allocated towards Circa's work packages is approximately EUR 9.2 million. Prepayment of 45% of the grant was received in 2020 partly to compensate for expenditures capitalized to date for the ReSolute™ project.

Cashflow

Cash outflow during the period is related to operating activities, including payments for engineering work and short-term incentives, as well as expenses capitalized.

OUTLOOK

ReSolute™ project

Following the October 14th announcement of cost increases in the ReSolute™ plant, the company is in process to review cost budget and scope of the ReSolute™ project. These processes have not been concluded, but at this stage we can advise that discussions with major equipment manufacturers have been very supportive and positive.

Opportunities to mitigate the cost increase by revision of equipment layout and functionality are currently being assessed. Opportunities to increase use of byproducts to generate further power and heat are currently being modelled. Work is underway with LUKE Finland and others on a new sustainable process to fractionate biomass and potentially increase yields, as well as improvements at the FC5 plant on distillation efficiencies which again show an increase in output. In addition, discussions on a smaller site footprint - and more efficient waste disposal are underway. All the opportunities above are being considered within the €50-55m capex range advised to the market.

The ReSolute™ plant is an initial commercial operation showcasing new technology and the positive interest from the Carling St Avold region in France where it is being built, is both considerable and very pleasing. Circa has always considered the opportunity to support transition of markets to more sustainable products and manufacturing a strategic proposition, and just as Cyrene™ enables users to transition away from high carbon, toxic solvents, the ReSolute™ project is supporting - in a small but significant way - a local community to transition a site and coal based power generation plant. We look forward to working with the local community to make ReSolute™ a success and flagship project for the region.

The company is well-funded following the approximately EUR 52 million capital raising in March 2021, and the company's projections indicate a sufficient financial runway.

Research & Development

Following the completion of an initial study into levoglucosenone derivative opportunities, agreement on a small range of products has led to the formation of a small internal group to take these opportunities forward. Led by Dr Marc Hein, this group has started work to progress derivatisation pathways - and at the same time, confirming market volumes and pricing opportunities. In parallel this work is supported by activities in the market focused on promoting and exploiting Circa's sustainability position - and the developing urgency for new more sustainable manufacturing technologies. Circa is one of very few companies (possibly the only one) which has a broad use solvent in this >1 million tonne sector that is in commercial scale up. Companies manufacturing competing toxic solvents such as NMP and DMF are recognising this.

Sales Agreements

With pricing still limiting progress, Circa has deliberately engaged a wider distributor base for Cyrene™. Companies engaged are those we have had previous conversations with and are progressing well. For one group this would be an arrangement for the UK and Ireland markets, and the other would be Australia and selected Asian markets.

Negotiations with University of York on a new royalty arrangement for Cyrene™ have concluded and this will see rates reduce from 4% to 1.5% for quantities up to 1,000 tonnes per Year, and 2% to 0.75% for quantities over 1,000 tonnes. For a 10,000 tonne Cyrene™ plant this would see a significant benefit to Circa.

Oslo, 25 November 2021

The Board of Directors of Circa Group AS

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(EUR)

	Notes	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Product sales		3 288	52 734	16 457	70 195
Fees					
Other revenue	5	1 728	1 168 694	36 843	1 660 707
Total revenue		5 016	1 221 428	53 300	1 730 902
Cost of sales		73 039	41 947	211 408	222 010
Employee benefit expenses	4	604 259	133 725	2 849 973	411 494
Other operating expenses		709 392	662 845	3 047 657	3 962 130
Total operating expenses		1 386 690	838 517	6 109 039	4 595 635
Operating result		-1 381 674	382 911	-6 055 739	-2 864 733
Interest income		11 173	5	12 419	15
Other financial income		73 489	0	177 751	0
Total finance income		84 662	5	190 170	15
Interest expenses		36 661	0	90 117	0
Other financial expenses	1.1	256 323	29 216	630 146	33 931
Total finance expenses		292 984	29 216	720 263	33 931
Net financial income/ expenses		-208 322	-29 211	-530 093	-33 917
Net profit/ loss before tax		-1 589 996	353 700	-6 585 831	-2 898 650
Tax expenses		0	0	0	0
Net profit/ loss		-1 589 996	353 700	-6 585 831	-2 898 650
Other comprehensive income:					
Foreign exchange gains/(losses)		15 997	0	17 193	0
Total comprehensive profit/ loss for the period		-1 573 999	353 700	-6 568 639	-2 898 650

CONSOLIDATED BALANCE SHEET

(EUR)	Notes	30.09.2021	31.12.2020	30.09.2020
ASSETS				
Tangible assets	5,6	874 964	53 196	2 361
Total non-current assets		874 964	53 196	2 361
Inventory		44 306	49 899	37 156
Short term receivables		262 578	1 708 519	77 601
Cash and cash equivalent	5,8	46 849 307	4 724 408	243 975
Total current assets		47 156 191	6 482 826	358 732
Total assets		48 031 155	6 536 022	361 094
EQUITY				
Issued and paid in equity		54 013 611	7 335 180	7 141 563
Other equity		-11 695 589	-7 685 095	-8 235 540
Total equity	7,8,10	42 318 023	-349 915	-1 093 977
LIABILITIES				
Employee benefits	4	639 647	0	0
Other non-current liabilities		0	562 590	0
Total non-current liabilities		639 647	562 590	0
Employees and related		646 830	32 408	10 373
Borrowings		0	0	0
Trade and other payables		248 019	179 363	430 071
Public duties and related		40 334	0	0
Other current liabilities	5	4 138 303	6 111 576	1 014 626
Total current liabilities		5 073 486	6 323 347	1 455 071
Total liabilities		5 713 133	6 885 937	1 455 071
Total equity and liabilities		48 031 155	6 536 022	361 094

Oslo, 25 November 2021

The Board of Directors of Circa Group AS

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR)	Notes	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Cash receipts from operating activities		224 529	486 019	2 462 183	169 203
Cash payments from operating activities		-2 487 684	-853 901	-7 797 885	-6 914 953
Cash flows from operating activities		-2 263 155	-367 882	-5 335 702	-6 745 750
Proceeds from sale of property, plant and equipment					
Payment for property, plant and equipment	6	-564 499	-78	-1 491 555	-51 317
Other cash items from investing activities		0	0	678 027	12 403
Cash flows from investing activities		-564 499	-78	-813 529	-38 914
Proceeds from issuance of share capital	8	0	0	48 024 305	3 864 597
Proceeds from Grants		1 729	1 168 624	36 844	8 385 367
Net proceeds from borrowings and net interests		-25 488	-770 017	-77 700	-1 326 826
Cash flows from financing activities		-23 759	398 607	47 983 449	10 923 138
Net cash increase/decrease for the period		-2 851 413	30 648	41 834 219	4 138 474
Cash at beginning of period		49 717 972	183 161	5 399 474	473 826
Net change in cash for period		-2 851 413	30 648	41 834 219	4 138 474
Foreign exchange cash		-17 251	30 166	-384 385	112 109
Cash at end of period		46 849 308	243 975	46 849 308	4 724 409

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR)	Notes	Share capital	Premium	OCI	Retained earnings	Total
Balance 1 January 2021		4 586 526	0	0	-4 926 944	-340 418
Reverse takeover		4 135 390	-2 652 589	0	0	1 482 801
Issuances		3 148 744	44 875 561	0	0	48 024 305
Purchase own shares		-32 489	-47 532	0	0	-80 021
Result of period, incl. P&L effects reversed takeover		0	0	0	-6 721 806	-6 721 806
Other comprehensive income		0	0	-46 839	0	-46 839
Balance 30 September 2021	8,10	11 838 171	42 175 440	-46 839	-11 648 749	42 318 023

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Effective 9 February 2021, Circa Group reorganized and established a new holding company, Circa Group AS (CGAS). The previous ultimate holding company was Circa Group Ltd. (CGL). The substance of the reorganization being that the ultimate holding company, CGAS, acquired the existing group, CGL. As there were no significant changes in management or ownership this is under IFRS accounted for as a reorganization and not a transaction. As a result, besides the share capital, the historical consolidated financial figures and financial statements are a continuance of CGL.

The fiscal year for CGL is 12 months ending 30 June. The most recent audited financial statement for CGL is per 30 June 2020. The consolidated financial statements have been prepared in accordance with Australian GAAP which are (as disclosed in the consolidated financial statements of CGL per 30 June 2020) in accordance with IFRS, and therefore the transformation to IFRS have no impact.

1.1 Currency

The presentation currency for Circa group is euro (EUR).

The applied average (un-weighted monthly) foreign exchange rates per quarter and the closing exchange rate at month ends for the most important currencies for the group:

	Q3 21	Q3 21	30.09.2021	31.12.20
AUD	0.62	0.62	0.62	0.63
GBP	1.17	1.17	1.16	1.11
NOK	10.33	10.33	10.17	10.47

2. Accounting policies

The interim financial statements of Circa Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the CGL consolidated financial statements 30 June 2020. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the CGL annual financial statements for 30 June 2020.

3. Estimates, judgements, and assumptions

Preparation of interim financial statements in accordance with IFRS implies use of estimates, which are based on judgements and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, revenues, and expenses. Actual amounts might differ from such estimates.

4. Long term incentive plan

CGL cancelled its previous incentive program and CGAS replaced it with a new plan effective as of 1 March 2021. Key members of the management and selected new hires and other key resources has been granted synthetic options equivalent of 3,600,000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share. The options vests upon commissioning of the ReSolute™ plant and expires three years after the listing on the Euronext Growth Oslo, i.e., 2 March 2024.

5. Government Grant

Circa Group receives government grants, and the accounting policy adopted varies for the different types of grants. For grants received directly relating to capitalized expenditures, Circa recognizes the grant amount using the capital approach. Grants are recognized on a systematic basis over the periods in which the related expenses are recognized, and the presentation method chosen is to deduct the grant in the carrying amount of the asset. For grants received relating to compensation for expenses incurred during the current period, the grant is recognized through the income statement in the period where the expenses are incurred and presented net to the eligible expenses. For grants received to compensate for expenses in prior periods, the grant is recognized in income statement in the period where it becomes a receivable and presented as other income. Prepaid grants are recognized as liabilities.

Per 30 September 2021, Circa has received grants both relating to capitalized expenses and to compensate for expenses in prior periods. Circa has also received a prepayment for the Horizon 2020 Flagship grant to partly cover capital expenditures of constructing the ReSolute™ plant.

6. Tangible assets

Circa has started to capitalize expenses relating to the Resolute™ plant:

(EUR)	Capitalized expenses	Grant received*	Total ReSolute	Net other PPE	Total tangible assets
Balance 30 June 2020	0	0	0	2 439	2 439
Transactions during period	119 505	-66 727	52 778		
Balance 1 January 2021	119 505	-66 727	52 778	2 441	55 219
Transactions during period	366 574	-157 841	208 733		
Balance 31 March 2021	486 079	-224 568	261 511	2 518	264 029
Transactions during period	573 116	-264 780	308 336		
Balance 30 June 2021	1 059 195	-489 348	569 847	1 416	571 263
Transactions during period	564 499	-260 798	303 700		
Balance 30 September 2021	1 623 694	-750 147	873 547	1 416	874 964

*The Resolute grant funds 46,2% of eligible costs

7. Principal shareholders

Shareholder	Number of shares	Ownership %
NORSKE SKOG ASA	31 654 274	26,01
Saxo Bank A/S	24 377 257	20,03
CIRCA GROUP AS	23 535 720	19,34
LAWRENCE	6 156 060	5,06
BNP Paribas Securities Services	3 411 269	2,80
J.P. MORGAN BANK LUXEMBOURG S.A.	2 200 000	1,81
VERDIPAPIRFONDET DELPHI NORDIC	2 175 783	1,79
VERDIPAPIRFONDET FIRST GENERATOR	1 876 384	1,54
KLAVENESS MARINE FINANCE AS	1 121 479	0,92
FJARDE AP-FONDEN	1 054 194	0,87
State Street Bank and Trust Comp	1 011 380	0,83
MANIFEX PTY LTD	999 000	0,82
Citibank, N.A.	906 000	0,74
NORDNET LIVSFORSIKRING AS	905 608	0,74
WHITEHOUSE PTY LTD ATF WHITEHOUSE	750 000	0,62
VERDIPAPIRFONDET DELPHI NORGE	745 086	0,61
Pershing LLC	577 896	0,47
Skandinaviska Enskilda Banken AB	500 000	0,41
ENZIAN AS	500 000	0,41
FORTE TRØNDER	465 000	0,38
Other shareholders	16 790 719	13,80
Total	121 713 109	100

The data is extracted from VPS 22 November 2021. Whilst every reasonable effort is made to verify all data, VPS cannot guarantee the accuracy of the analysis.

In the Euronext VPS registry, Circa Group AS is registered as the holder of 23,535,720 shares, of which 333,340 shares are owned and held in treasury by Circa Group AS. The remaining 23,202,380 shares are temporarily held by Circa Group AS on behalf of shareholders awaiting settlement to nominee or individual accounts. This process has been delayed due to COVID-19 restrictions still ongoing in Australia, limiting ability to open the necessary broker accounts often requiring physical presence and display of passport. The majority of investors that have transferred shares into individual holding accounts have used a nominee account provided by Saxo Bank. Saxo Bank is currently registered as nominee holder of 24 377 257 shares. Please note that the majority of these shares are subject to lock-up arrangements entered into as part of the listing on Euronext Growth Oslo on 2 March 2021

8. Equity

Effective 9 February 2021, Circa Group reorganized and established a new holding company, CGAS. The previous top holding company was CGL. The substance of the reorganization being that the ultimate holding company, CGAS, acquired the existing group, CGL. As there were no significant changes in management or ownership this is under IFRS accounted for as a reorganization and not a transaction. As a result, besides the share capital, the historical consolidated financial figures and financial statements are a continuance of CGL.

The beginning balances of the consolidated Balance Sheet and the consolidated Statement of Changes in Equity reflect the consolidated equity in CGL. At the reorganization date (9 February), the share capital of CGAS was EUR 8 721 916 (*NOK 89 562 580*).

The functional currency date is the transaction date, however equity issuances are executed and registered in the public company registration at a fixed NOK amount, indicated in *italic* below.

The issuance of shares related to exercise of 851,160 warrants with a share capital increase of *NOK 851,160* by issue of 851,160 new shares, each with a nominal value of NOK 1, was registered in the Norwegian business register on 16 July 2021.

9. Related parties

Norske Skog is one of the world's largest producers of publication papers, with headquarters in Oslo, Norway. Norske Skog is the largest shareholder in Circa Group and holds approximately 26.2% of the share capital in Circa Group AS and is represented on the Board of Directors. Norske Skog is engaged to deliver certain management and administrative services to the Group for the remainder of 2021. The fee for such services is based on arms' length principle.