

Fourth Quarter 2022

Circa Group AS

Changing chemistry for good™



Introduction

Circa is a biotech company producing unique and highly valuable biochemicals. Using abundant and renewable non-food biomass 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, flavours, fragrances, electronics, batteries, paints, graphene, polymers, and many other applications where bio-based alternatives to current industrial chemicals represent innovative, cost-effective solutions. Cyrene™ - Circa's first commercial product – is a solvent gaining considerable interest in a >1 000 000 tonne market as a safer, high performing replacement for toxic, petro-based products.

The parent company, Circa Group AS (CGAS), 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 Fourth Quarter of 2022

Q4 2022 Highlights

FC5

The plant in Tasmania continues to deliver product for samples, trials and orders of 100+kg per delivery. In the fourth quarter, this included product for agrichemical trialling in both Australia and Europe, where customers are looking to phase out of toxic solvents. It also includes a 1 000 kg delivery to Circa in Europe to enable a faster turnaround of the growing demand for trial product.

ReSolute™

Contracts with major plant vendors are progressing, and two major contracts progressed in the fourth quarter. In November, Circa Group signed a contract with Valmet for the delivery of equipment to its ReSolute™ plant. This equipment contract specifies the pyrolyzer technology, the circulating fluidised bed (CFB) boiler and the automation system, which will be delivered over the second and third quarter of 2023. In December, Circa Group signed a contract with Ekato for a skid-mounted hydrogenation plant for the production of Cyrene™.

FC6

The FC6 development work commenced in fourth quarter of 2022, in conjunction with the ReSolute™ detailed engineering design work. For this purpose, Circa and Valmet have also signed a conceptual engineering agreement. A small Circa / Valmet development team has been formed and is starting work on initial FC6 concepts and production opportunities – including optimizing plant chemistry, pre-fractionation and valorisation of side streams.

People & Organisation

During the quarter Circa appointed a new Site Manager for the ReSolute™ plant in Carling St Avold. Cyril Lepretre commenced the position in November, and as the senior Circa person on site has responsibility for the site, permitting and plant build.

Grants

We have been very pleased with the support of the local governments in the region to the project, and in the fourth quarter Circa was awarded grant support of EUR 1.5 million from Region Grand Est. In Q4 2022, Circa received the first prepayment of EUR 2.1 million from BPI France as part of the “France Relance” Programme, and EUR 0.3 million from the Coal Fund. The payment of the remaining grants will follow the progress of ReSolute™.

Profit & loss

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

Q4 2022 proceeds on the expected run rate. The accrual for research & development (R&D) income in Australia is impacting the quarterly result positively.

Income

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant in 2024.

In the fourth quarter, R&D income for 2022 in the Australian entities has been included as other revenue. Other revenue also includes grant income relating to compensation for expenses incurred during the current period.

Expenses

Expenses in the quarter are mainly related to expenses to establish and develop the group in Europe, and preparatory cost for the industrial site in France.

Incentive plans

A slight decrease in the fair value assessment for the long-term incentive plan is reflected in the fourth quarter. This has no cash-effect. Other employee expenses are in accordance with plan.

Balance sheet

31 December 2022 Circa had cash and cash equivalents of EUR 34.8 million, total assets of EUR 43.1 million and equity of EUR 36.0 million.

Expenses capitalized 31 December 2022 is EUR 10.0 million, with EUR 6.1 million capitalized in Q4 2022, mainly related to the Valmet contract. Referring to note 6. Tangible assets for further information. The increase in investments compared to previous quarters is following the progress of ReSolute and is in accordance with plan.

Grants

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. In Q3 2022 Circa received a payment of EUR 1.2 million based on the first periodic project reporting for BBI/Horizon 2020.

In Q4 2022, Circa received the first payments from the Coal Fund of EUR 0.3 million and from BPI France of EUR 2.1 million. Of announced grants of EUR 20.3 million, EUR 8.2 million are so far recognized in the accounts as received.

Cash flow

Cash outflow during the period is related to operating activities, including preparatory cost for the future premises in France and capitalized expenses for ReSolute™. Cash inflow is related to grant payments received.

Net cash flow from operating activities was EUR -2.6 million in the fourth quarter. Net cash flow from investment activities of EUR -4.8 million is related to ReSolute™. The increase in investments compared to previous quarters is in accordance with plan. Net cash flow from financing activities is EUR 2.5 million in the fourth quarter, due to grants received on EUR 2.4 million, and interest income on EUR 0.1 million.

Outlook

The market for Circa products remains strong despite turmoil. For chemical manufacturers, 2022 has seen challenges such as inflation, the war in Ukraine, disrupted supply chains and oscillating prices for oil, gas, and raw materials.

There are emerging signs of the industry's persistence in delivering value. Chemical shareholder returns are down only half as much as the broader stock market and continue to outpace other industry sectors relative to growth. Several industry subsectors, including multispecialty companies and agrochemicals and fertilizers, have generated shareholder returns above their previous levels, and continue to perform on the same trajectory moving forward.

Climate-related activity and sustainability are now more closely associated with shareholder returns than they have been for several years, and as such reinforces the resilience in our business model and in our strategic intent moving forward. Current market demand indicators support strong growth for Cyrene™ and other LGO derivatives. This provides numerous growth options for Circa to make considered and informed strategic plays. The business climate has brought to the forefront numerous opportunities for more detailed assessment that underpin and strengthen our core focus on ReSolute™ and FC6.

ReSolute™ project

Contracts with major plant vendors are progressing, and the remaining contracts are expected to be signed in the first quarter of 2023.

Inflationary pressures continue to impact a range of equipment and the Circa team continue to be focused on mitigating cost increases. While we see pricing drop-offs with some materials, the pressure from energy prices and availability of skilled staff continues to impact many vendors around the world.

Documentation for the environmental and construction permits continues to move forward. This is a major undertaking and Circa is engaged with the permitting authorities, and equipment suppliers to inform the dossiers, before the final dossier is filed in the first quarter. In February it was announced that Circa has agreed to proceed with a permanent environmental permit, and this update will see a delay to the current start-up timetable of approximately six months.

People & Organization

We were pleased to advise that Nick Smith commences as Head of Commercialisation on January 1st 2023. Nick brings a wealth of experience in the chemical industry globally to Circa and adds considerably to Circa's commercial capabilities.

Market

In January, Circa Group and OQEMA AG signed a supply and capacity reservation agreement for the sale of Cyrene™ into Europe. The agreement is for the market development and supply of several thousand tonnes of Cyrene™ per annum. This brings reservation commitments for Cyrene™ volumes to over 5,000 tonnes per annum, which will be supplied by Circa's ReSolute™ plant and the following FC6 plant.

War in Ukraine

Circa has no direct exposure to Ukraine or Russia, no link to any suppliers or potential suppliers of goods and services and no sales. It remains too early to say what impact there might be on supply chains for the ReSolute™ project, particularly long lead time items, and the situation is being closely monitored.

Oslo, 15 February 2023
The Board of Directors of Circa Group AS

Interim financial statements

Consolidated income statement and statement of comprehensive income

(EUR)	Notes	Q4 2022	Q4 2021	YTD 2022	YTD 2021
Product sales		3 262	2 254	57 834	18 711
Other revenue	5	852 578	904 386	1 126 774	941 229
Total revenue		855 840	906 640	1 184 608	959 940
Cost of sales		-157 084	-151 731	-378 345	-363 139
Depreciation		-3 036	-3 673	-12 579	-4 130
Employee benefit expenses	4	-906 901	-109	-2 870 248	-2 850 082
Other operating expenses		-1 168 088	-1 222 800	-3 895 181	-4 270 000
Total operating expenses		-2 235 109	-1 378 313	-7 156 353	-7 487 350
Operating result		-1 379 269	-471 673	-5 971 745	-6 527 410
Interest income		91 696	-6 537	121 073	5 882
Other financial income		103 578	181 976	716 996	359 727
Total finance income		195 274	175 439	838 069	365 608
Interest expenses		-206	-37 599	-95 718	-127 716
Other financial expenses	1.1	-111 996	-80 918	-723 126	-711 064
Total finance expenses		-112 202	-118 517	-818 844	-838 780
Net financial income/ expenses		83 072	56 922	19 225	-473 172
Net profit/ loss before tax		-1 296 197	-414 750	-5 952 520	-7 000 582
Tax expenses		0	0	-21 554	0
Net profit/ loss		-1 296 197	-414 750	-5 974 074	-7 000 582
<i>Items that may be reclassified subsequently to profit & loss:</i>					
Foreign exchange gains/(losses)		242 744	-95 159	190 555	-71 095
Other comprehensive income for the period		242 744	-95 159	190 555	-71 095
Total comprehensive profit/ loss for the period		-1 053 453	-509 909	-5 783 519	-7 071 678

Consolidated balance sheet

<i>(EUR)</i>	Notes	31.12.2022	31.12.2021
ASSETS			
Intangible assets		28 733	0
Tangible assets	5,6	6 987 325	1 244 589
Total non-current assets		7 016 058	1 244 589
Short term receivables		1 279 243	1 600 307
Cash and cash equivalent	5,8	34 768 533	44 422 071
Total current assets		36 047 776	46 022 378
Total assets		43 063 834	47 266 967
EQUITY			
Issued and paid in equity		56 879 958	56 809 130
Other equity		-20 850 658	-15 067 139
Total equity	7,8,10	36 029 300	41 741 990
LIABILITIES			
Employee benefits	4	191 914	263 288
Other non-current liabilities		0	11 539
Total non-current liabilities		191 914	274 827
Employees and related		307 276	541 374
Trade and other payables		506 879	706 260
Public duties and related		38 176	0
Other current liabilities	5	5 990 289	4 002 515
Total current liabilities		6 842 620	5 250 149
Total liabilities		7 034 534	5 524 976
Total equity and liabilities		43 063 834	47 266 967

Oslo, 15 February 2023
The Board of Directors of Circa Group AS

Consolidated statement of changes in equity

(EUR)	Notes	Share capital	Premium	Retained earnings	Total
Balance 1 January 2022		11 838 171	44 970 959	-15 067 139	41 741 991
Issuance		41 511	29 317	0	70 828
Net profit/loss for the period		0	0	-5 974 074	-5 974 074
Other comprehensive income		0	0	190 555	190 555
Balance 31 December 2022	7, 8	11 879 682	45 000 276	-20 850 658	36 029 300

Consolidated statement of cash flows

(EUR)	Notes	Q4 2022	Q4 2021	YTD 2022	YTD 2021
Cash receipts from operating activities		-417 951	-1 443 950	249 690	1 018 233
Cash payments from operating activities		-2 215 028	-178 739	-7 790 405	-7 976 624
Cash flows from operating activities		-2 632 979	-1 622 689	-7 540 715	-6 958 391
Proceeds from sale of property, plant and equipment		0	0	0	0
Payment for property, plant and equipment	6	-4 826 462	-680 814	-5 804 012	-2 172 369
Other cash items from investing activities		0	0	0	678 027
Cash flows from investing activities		-4 826 462	-680 814	-5 804 012	-1 494 342
Proceeds from issuance of share capital	8	0	0	70 828	48 024 305
Proceeds from Grants		2 402 256	2 034	3 618 585	38 878
Net proceeds from borrowings and net interests		91 490	-44 136	25 355	-121 836
Cash flows from financing activities		2 493 746	-42 102	3 714 768	47 941 347
Net cash increase/decrease for the period		-4 965 695	-2 345 605	-9 629 959	39 488 614
Cash at beginning of period		39 486 335	46 849 308	44 422 071	5 399 474
Net change in cash for period		-4 965 695	-2 345 605	-9 629 959	39 488 614
Foreign exchange cash		247 893	-81 632	-23 579	-466 016
Cash at end of period		34 768 533	44 422 071	34 768 533	44 422 071

Notes to the condensed consolidated interim financial statements

1. General information

Effective 9 February 2021, Circa Group reorganized and established a new holding company, CGAS. The previous ultimate holding company was Circa Group Pty 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.

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:

	Q4 2022	Q4 2021	31.12.2022	31.12.2021
AUD	0.64	0.63	0.64	0.64
GBP	1.15	1.18	1.13	1.19
NOK	10.45	10.14	10.51	9.99

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 consolidated financial statements and should be read in conjunction with the CGAS consolidated financial statements 31 December 2021. The interim consolidated 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 CGAS consolidated financial statements 31 December 2021.

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 4 200 000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share, or the average the first week of employment for new hires. The options vests upon commissioning of the ReSolute™ plant and expires 1 April 2025.

5. Government Grants

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. For grants received to compensate for expenses in prior periods, the grant is also recognized in income statement in the period where it becomes a receivable and presented as other income. Prepaid grants are recognized as liabilities.

Per 31 December 2022, Circa has received grants both relating to capitalized expenses and to expenses in current period. Grant received relating to expenses in current period is presented as other revenue. Circa has also received prepayments for the Horizon 2020 Flagship grant, the Coal Fund and BPI France ("France Relance" 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 31 December 2021	2 217 118	-1 061 335	1 155 783	88 805	1 244 589
Transactions during period	619 106	-17 245	601 861	-5 762	
Balance 31 March 2022	2 836 224	-1 078 580	1 757 644	83 043	1 840 688
Transactions during period	320 933	-465 676	-144 743	312	
Balance 30 June 2022	3 157 157	-1 544 256	1 612 901	83 355	1 696 257
Transactions during period	763 424	-287 162	476 262	-6 865	
Balance 30 September 2022	3 920 581	-1 831 418	2 089 163	76 490	2 165 653
Transactions during period	6 104 433	-1 274 645	4 829 788	-8 116	
Balance 31 December 2022	10 025 014	-3 106 063	6 918 951	68 374	6 987 325

* Grant offsetting includes grants received from Horizon 2020, and from Q2 2022 from France Relance and Coal Fund. The grants fund 47.87%, 10-50 % and 15 % of eligible costs respectively.

7. Principal shareholders

Shareholder	Number of shares	Owner ship %	Account Type
NORSKE SKOG ASA	31 654 274	25,92	
Saxo Bank A/S	20 009 908	16,39	NOM
Citibank N.A.	12 120 630	9,93	NOM
CIRCA GROUP AS	8 244 720	6,75	
DUNCAN	5 480 000	4,49	
LAWRENCE	4 556 060	3,73	
VERDIPAPIRFONDET DELPHI NORDIC	2 266 883	1,86	
J.P. Morgan SE	2 200 000	1,80	NOM
VERDIPAPIRFONDET FIRST GENERATOR	2 112 567	1,73	
Pershing LLC	1 943 715	1,59	NOM
FJARDE AP-FONDEN	1 529 133	1,25	
NORDNET LIVSFORSIKRING AS	1 366 420	1,12	
Moata PTY LTD	1 200 000	0,98	
HAWKFISH AS	1 128 259	0,92	
KLAVENESS MARINE FINANCE AS	1 026 479	0,84	
MANIFEX PTY LTD	999 000	0,82	
State Street Bank and Trust Comp	967 350	0,79	NOM
SVANDAL	630 000	0,52	
JOMANI AS	565 870	0,46	
Skandinaviska Enskilda Banken AB	500 000	0,41	NOM
Other shareholders	21 611 841	17,70	
Total	122 113 109	100,00	

The data is extracted from VPS 13 February 2023.

In the Euronext VPS registry, Circa Group AS is registered as the holder of 8 244 720 shares, of which 333 340 shares are owned and held in treasury by Circa Group AS. The remaining 7 991 380 shares are temporarily held by Circa Group AS on behalf of shareholders awaiting settlement to nominee or individual accounts. The majority of investors that have transferred shares into individual holding accounts have used a nominee account provided by Saxo Bank.

8. Equity

On 30 June 2022, Moata Pty Ltd, a close associate of Anthony Duncan, and William Duncan, each gave written notice of their intention to exercise 200 000 warrants. As a result, Circa Group AS' share capital was increased by *NOK 400 000* (EUR 41 511) with the issuance of 400 000 new shares, each with a nominal value of NOK 1 in August 2022.

Share capital and share premium denominated in NOK is translated and presented in EUR at the historical rate of exchange in the financial statements.

9. Related parties

Norske Skog is the largest shareholder in Circa Group and holds approximately 25.92 % of the share capital in Circa Group AS and is represented on the Board of Directors.

10. Subsequent events after the balance sheet date

In January, Circa Group and OQEMA AG signed a supply and capacity reservation agreement for the sale of Cyrene™ into Europe. The agreement is for the market development and supply of several thousand tonnes of Cyrene™ per annum. This brings reservation commitments for Cyrene™ volumes to over 5,000 tonnes per annum, which will be supplied by Circa's ReSolute™ plant, and the following FC6 plant.

Circa Group has signed the grant agreement to receive funding through Region Grand Est for a total of EUR 1.5 million. A prepayment of up to 50 % is expected by the end of Q1 2023. The payment of the remaining grant will follow the progress of ReSolute™.

The French authority, Direction Régionale de l'Environnement, de l'Aménagement et du Logement (DREAL), Division Moselle, and Circa, have agreed to proceed with a permanent environmental permit. The permanent permit replaces the temporary permit that was originally planned for the ReSolute™ plant. This update will see a delay to the current start-up timetable of approximately six months.