

Annual Report 2021

Circa Group AS
Changing chemistry for good™



2021 in numbers

	(1 JAN 2021)	(31 DEC 2021)
Number of shareholders	~73	2543
Employee gender balance	M 100% F 0%	M 64% F 36%
Cash position	€ 4.7M	€ 44.4M
FC5 environmental compliance	100%	100%
Cyrene™	<p>> 180 papers published</p> <p>~ 30,000 Google search references</p> <p>> 350,000 tonnes carbon abatement potential at 2030 capacity</p>	

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Ideals and Initiatives – CEO reflections on 2021

Despite everything that is going on around the world, it is clear that leaders in government and industry need to take concrete action to support and promote sustainable business models and engage citizens on the changes needed if we are to continue to live comfortably on this planet.

Many young people, future voters and consumers, are fearful about the climate with many suffering from eco-anxiety - described in France as “une angoisse contemporaine”, a contemporary anxiety - a condition of people who feel desperately unhappy and powerless about the world they are inheriting. Inheriting from us.

To get through these challenging times to the brighter future that people are demanding, we need forward-looking companies and visionary politicians. We need to share ideas and insights with openness and generosity. No one single company or politician owns the solutions for the future - we are in this together for the good of all. 2030 is only one technology investment cycle away.

In France - with the support of the Horizon 2020 program, French Government and regional support - Circa is building ReSolute™, the world's first scale plant to produce 1,000 tonnes of levoglucosenone and Cyrene™. This involves repurposing part of a coal-fired power station into a renewables-based site, showing what the future of energy and industry can look like. Circa will produce energy, and safer, greener, better chemicals from biomass... and new green jobs for the region.

It is the first of a series of Circa plants producing products to replace petro-based, toxic and high carbon solvents. FC6, our next larger plant, is already on the drawing board.

The chemicals we make sustainably, have traditionally been made from fossil fuels, and in their production, usage and disposal, they are toxic and harmful. There is nothing good to say about these traditional solvents that still today go into paints, footwear, cars, household products, even make-up and skin products. They are made by industry multinationals who have the lobbying power to keep these harmful products on the market. But the market is large, the trend to safer products is well supported by consumers and growing legislation, and companies like Circa have the right products... and patience. As the small competitor taking on these giant companies, we work daily to remove the barriers to get safer materials into the market on a larger scale.

These are not easy times. The war in Ukraine and COVID-19 have meant equipment delivery deadlines have been pushed back and many supply chains are under extreme pressure. Everything is taking longer and costing more. But a result does not equal no result plus excuses - we understand the need to deliver for our investors.

The Circa team focus is on executing our strategy. Despite considerable challenges, the business has made major progress during 2021 - the successful capital raising and IPO providing the foundations to deliver on ReSolute™, and further new products in development.

We have been fortunate to add real capability to our Circa team, bringing in new skills and diverse experiences. The fact that we now have 9 different nationalities operating across 6 countries does have some challenges at times, and I would like to thank everyone in the wider Circa team for their goodwill and efforts to ensure reasonably smooth operations. Inevitably, if it is a good time for a video call somewhere, it will be early morning or late evening somewhere else. From Hobart to Hull, Oslo to Armidale, video calls have kept Circa researchers, managers, consultants and engineers well connected. And we are introducing a program called “Circus” to everyone at Circa - to deliver a common approach to problem solving, projects and management.

I would particularly like to add thanks to the Circa Board. Bringing together a new business with key capabilities and shareholders on the other side of the world was never going to be straightforward. However this has been done successfully, maintaining focus on the key business drivers and supporting the Circa management team as we all moved through a fluctuating first twelve months. The incorporation of Circa Australia into Circa Group AS, the capital raising and IPO were all delivered timely, and was a great achievement. And given this was achieved “virtually”, in the middle of a pandemic, speaks to the professionalism and expertise of the Board through this period. I look forward to continue working with all directors over the next period as we execute the Circa strategy

Circa is a real example of effort and good technology working together over more than 12 years; of supportive investors, more than 1,000 industry and researcher trials, and smart, committed people. Of a strong vision for a better future - one where we don't have to compromise on performance, safety and sustainability. Where new products like Circa's biomass derived Cyrene™ solvent delivers, not drop-in replacement performance, but often a totally unexpected better performance compared to traditional products.

The transition required by industry to meet consumer and brand owner demands for better, safer, and lower carbon footprint products provides huge opportunities for Circa. We are working with companies and Governments that understand not only the need for change, but the opportunity change provides - for new products, new industries and new jobs. Supply chains in the chemical markets are already changing and the industry landscape in ten years will be considerably different, as petro-based feedstocks diminish in importance with customers demanding alternatives - and that is the real opportunity for Circa.

I thank you for your interest and investment in Circa, for your support and urge you to continue on this path towards a better future.

Tony Duncan

Tony Duncan
CEO & Co-founder



Key financial metrics

	EUR MILLION	
	2021	2020
Income statement		
Operating revenue	1.0	3.6
Operating profit / loss	-6.5	-1.6
Net profit / loss before tax	-7.0	-1.6
Earnings per share	-0.06	-15.97
Cash flows		
Net cash flows from operating activities	-7.0	-6.7
Net cash flows from investing activities	-1.5	0.0
Net cash flows from financing activities	47.9	10.9
Year-end financial positions		
Total cash and cash equivalents	44.4	4.7
Total assets	47.3	6.5
Equity	41.7	-0.3
Equity / Assets ratio in %	88%	-5%

About Circa walking our own path

Decarbonisation and the transition from fossil fuels demands the use of sustainable sources to meet future energy and chemical needs. Net zero drivers, combined with increasing customer and regulatory pressure, mean that companies currently using hazardous petrochemical sourced products are actively seeking safer and more sustainable substitutes.

Circa is changing chemistry for good.™

Our business exists to enable the transition from fossil-based toxic chemicals that are used to manufacture countless every-day products. Biomass is an abundant resource and provides the raw material for our products.

Solvents are ubiquitous in chemistry, yet for decades little has been done to improve upon many of these harmful materials, until now. Our flagship bio-solvent Cyrene™ is widely acknowledged as one of the very few viable, low-toxicity and sustainable alternatives to traditional fossil-based solvents, with probably the broadest use profile in this 1,000,000+ tonne market. And when compared to the most used solvents in its class, Cyrene™ has a carbon footprint 80% lower.

- 2006** Circa established
- 2009** Furacell™ technology patented
- 2014** First Cyrene™ publication by University of York
- 2015** Partnership with Norske Skog to build fifth prototype plant (FC5)
- 2017** Bio-based chemical innovation of the year
- 2020** EU Horizon grant for Project ReSolute™
- 2021** Circa Group AS lists on Euronext Growth
- 2023** ReSolute™ to be commissioned
- 2030** 80,000 tonnes per year Cyrene™ and levoglucosenone

It's time to take the toxic out

Furacell™ patented technology fine-tuned over ten years across five pilot plants...
from which over 1,000 trials of Cyrene™ have been despatched...
leading to over 180 research papers that document Cyrene™ applications and properties...
and out-performing toxic solvents in approx. 20-30% of applications trialled to date.

A renewable chemicals company with a sustainability purpose

Sustainability is a complex concept. It can be all too easy to lose sight of the simple idea that a sustainable business has minimal negative impact and bases its business model on solving sustainability challenges.

Every year, tens of millions of tonnes of sustainable, non-food cellulose are underutilised or wasted. This includes waste cellulose from forestry, crops and food processing. Circa's founders saw this as an opportunity and set about to produce bio-based, high-performance alternatives to toxic fossil-based chemicals from the most abundant polymer in the world.

Today Circa works with global businesses committed to transitioning from fossil-based chemicals, including the solvents used in their industrial processes. The market for these solvents is mostly served by unsustainable and toxic fossil-based solvents. The EU Chemicals Strategy for Sustainability and the development of 'safe and sustainable by design' criteria foreshadow the elimination of toxic solvents such as NMP, DMF and chlorinated solvents. Governments and industries worldwide are seeking substitutes to these chemicals which are harmful to human health and the environment.

Cyrene™ is widely acknowledged as one of the very few viable, low-toxicity and sustainable alternatives, it can be recycled and there are no NOx or SOx emissions on disposal.

We are helping our customers to act on global regulations, such as EU REACH and US TSCA, to minimise EHS risk and address growing drivers from their own customers for sustainability and decarbonisation.

Patented and proven technology

From its origins in 2006, Circa has had a clear set of criteria that apply sustainability to its production process. These principles led Circa to design its technology such that low toxicity, circularity and a minimal carbon footprint is a defining feature of our Furacell™ production process that manufactures levoglucosenone (LGO), the naturally occurring molecule from which our products are derived.

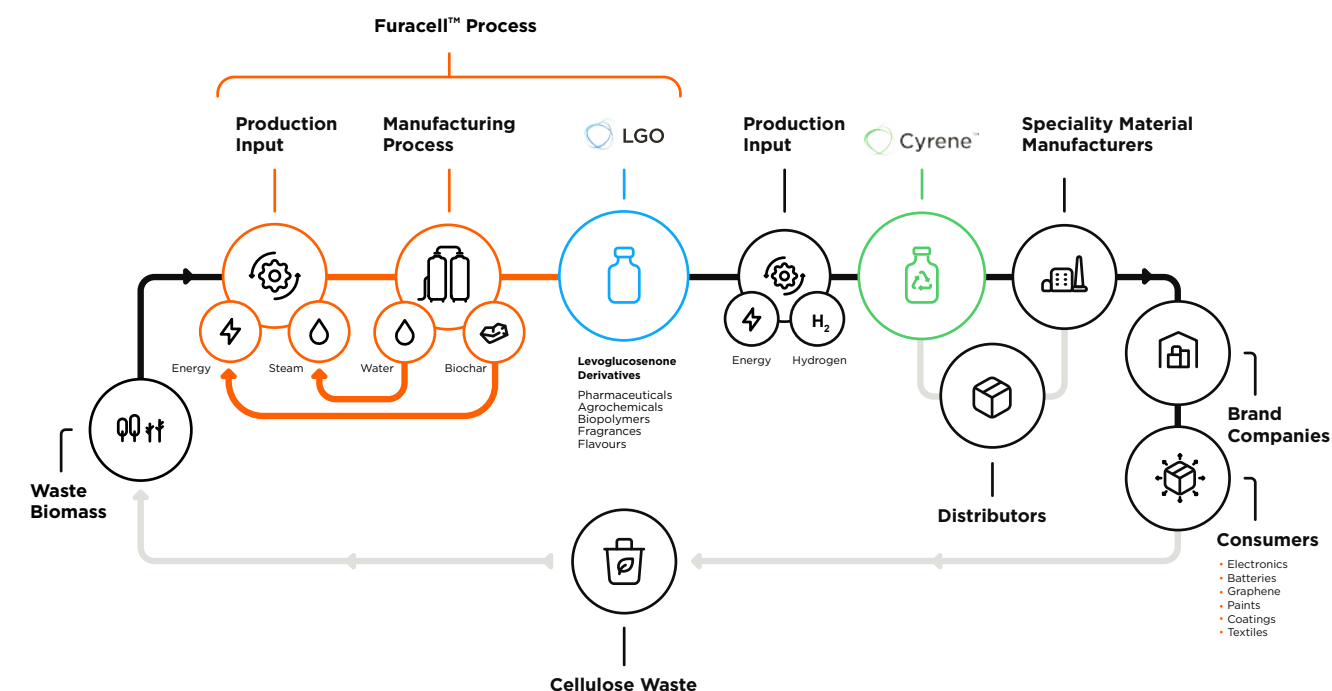
The Furacell™ process has been designed to be:

Feedstock tolerant: a wide range of waste cellulose is suitable – not dependant on feedstock providers. The forest biomass we use as a feedstock makes beneficial use of a low value by-product from other industrial processes.

Carbon neutral: the production process is close to carbon neutral, with its feedstock coming from renewable carbon sources, and renewable energy sources used. Biochar produced by the process can fuel the Furacell™ process.

Environmentally benign: biochar and water are the two primary by-products. We can use the water created from the process as steam for process heat, and at end-of-life, Cyrene™ has no NOx or SOx emissions, avoiding the costly disposal strategies of other solvents.

Furacell™ Production Process



Ideas to opportunities



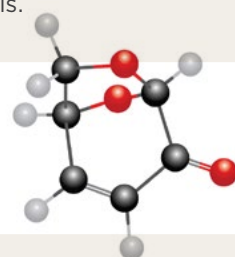
“As innovation meets downstream demand, a new wave of the Bio Revolution in chemicals and materials is unfolding—with enormous potential impact.”

Mckinsey

Levoglucosenone derivatives

Extensive research confirms a wide range of bio-based derivatives which can be produced from levoglucosenone (LGO). We have developed a sustainable patented process (Furacell™) to make LGO at scale, minimising side products, maximising functionality and leading to a breakthrough problem-solving molecule. This platform molecule can efficiently be converted to diverse chemical products and specialty materials.

A bio-privileged molecule with many industrial applications



Multiple reaction sites and chiral centers make it a highly functional platform molecule. Many of the intermediates readily accessible from LGO are common starting materials or chemical intermediates used in biosciences, flavour and fragrances, active pharmaceuticals, agrichemicals and others offer unique building blocks for biopolymers.

Our plan is to grow the LGO platform in niche applications that are high value and high growth. In 2021 we began progressing derivatives in three primary areas of focus. This work will continue in 2022.

- A high potent dairy flavouring: Evaluating full-scale production of dairy lactone from LGO.
- Developing synthetic sequences: Targeting non-natural substituted ribose structures for the pharmaceutical and genomics markets, including an intermediate for Covid and other drugs.
- New polymers for household products: Our biopolymer research collaborations have already produced a range of acrylate and amine functional monomers for potential use in household products, and CO2 capture.

In a **2021 report** Mckinsey found that 74% of leading companies in five end markets for chemicals and materials have already made commitments concerning their carbon emissions and the majority of these goals have a target date of 2030. The chemicals revenue associated with current targets amounts to \$500 billion and part of this revenue is in markets that Circa is actively targeting.

Mckinsey's findings reflect our market experience - accelerating corporate commitments to sustainability are creating demand for biomaterials that help companies to meet their targets.



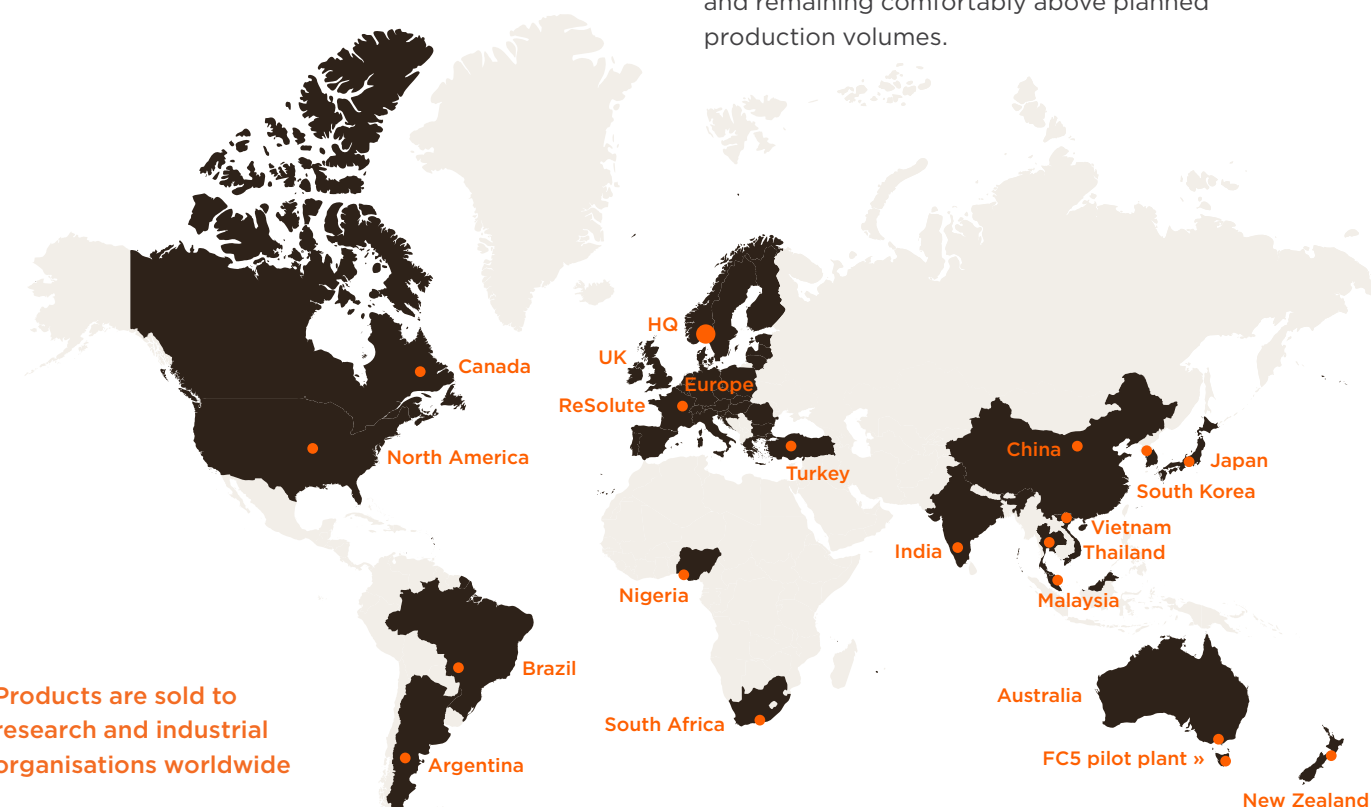
Cyrene™

Cyrene™ is made in one step from LGO. Our flagship bio-based solvent demonstrates circularity, sustainability and safety at every stage of its life cycle. Cyrene™ is an alternative to traditional toxic petroleum-based solvents and has out-performed the most common of them in 20-30% of applications trialled to date, with a carbon footprint that is up to 80% less – and at end of life no NOx or SOx are formed or emitted.

Over 1,000 trials have been distributed to industry and researchers, and more than 180 research papers have been published to date, confirming the considerable market interest and ongoing confidence in Cyrene's wide application range. In 2021 we also saw interesting patents filed for use of Cyrene™. An example is a Shell Oil patent using Cyrene in refinery operations titled “Separating Hydrocarbons with Dihydrolevoglucosenone”(Cyrene™).

The applications for Cyrene™ extend across multiple markets, such as pharmaceuticals, paints and coatings, polymers and plastics, electronics, textiles, automotive, cosmetics and more. It has been researched for use in membrane formation, graphene dispersion, textile recycling, battery production and recycling, natural product extraction, monomers for polymerisation, coatings and recrystallisation.

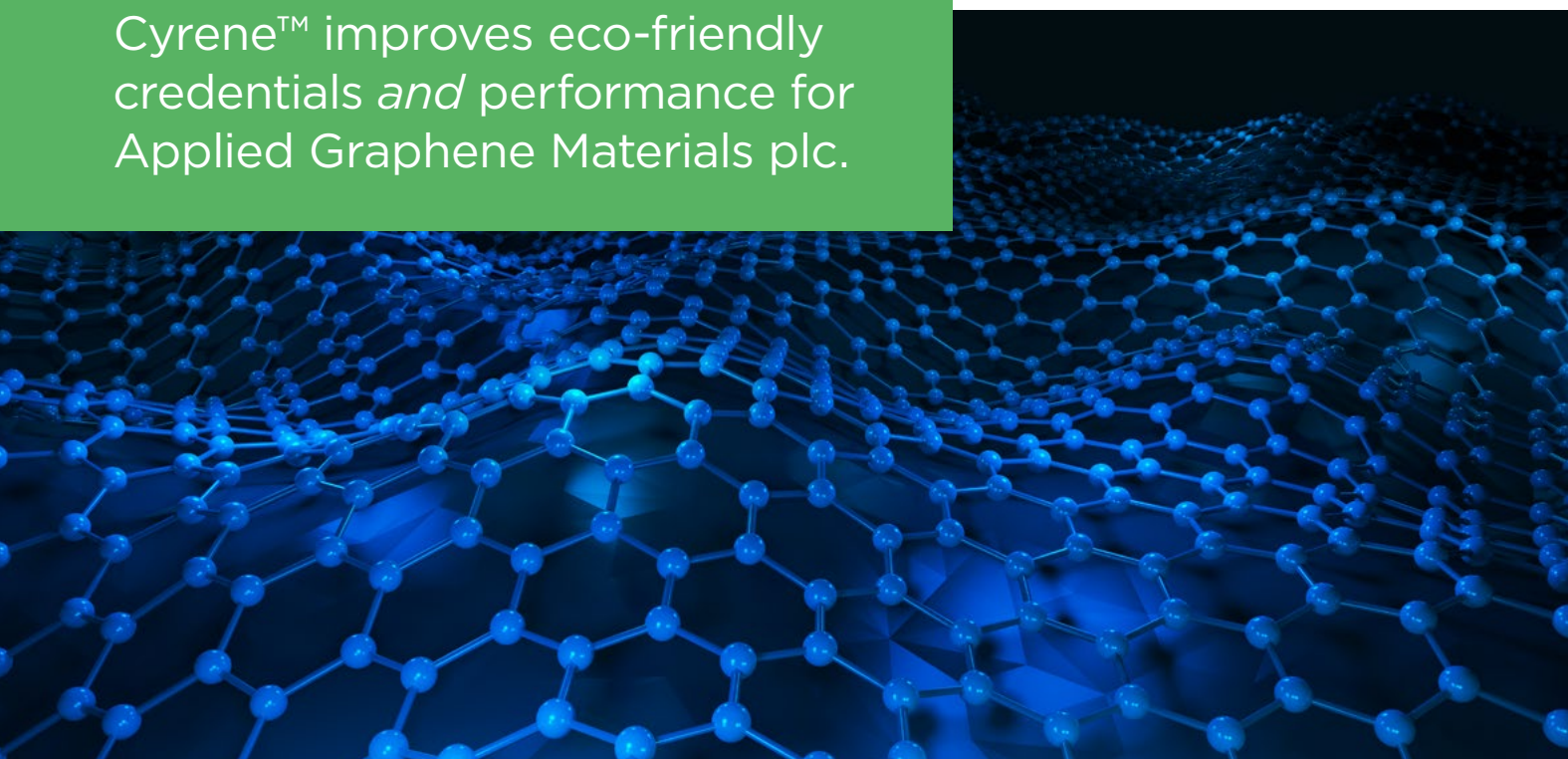
Our focus in 2021 has been on building commercial interest for ReSolute™ volumes. Circa works directly with key customer organisations and also partners with distributors worldwide. Our approach is to select distributors with specific regional and market coverage that complements our capability. In 2021 we continued to collaborate with our key distributors within the Project ReSolute™ Consortium. The year ended with capacity reservations for ReSolute™ increasing and remaining comfortably above planned production volumes.



Products are sold to research and industrial organisations worldwide



Cyrene™ improves eco-friendly credentials *and* performance for Applied Graphene Materials plc.



Circa's approach to working with innovative technology developers is proving a win/win with Applied Graphene Materials (AGM), a world leader in the development and application of graphene dispersions for paints, coatings and composite producers.

Using Circa's biorenewable solvent Cyrene™, AGM has launched a new series of eco-friendly graphene nanoplatelet products to improve the sustainability and bio-based content of their product formulations.

AGM says that all of the top ten coatings companies by global sales offer eco-friendly products and that the reduction or replacement of traditional solvents is a high priority. Customers increasingly expect a more sustainable product, so access to safe and bio-based solvents is not just a matter of compliance, it is an enabler of business growth.

Known for its disruptive technology in the graphene space, AGM's Commercial Director Andy Gent describes Circa's solvent Cyrene™ as having "a natural affinity for graphene. Not only does Cyrene™ help make AGM's new **Genable** 1700 series of graphene dispersions more eco-friendly, Cyrene™ offers additional beneficial properties including improved stabilisation of the graphene."

In addition to formulation advantages, the key value for AGM is that delivering graphene in sustainable formats will help their customers reduce the environmental impact of their products.

Working with Circa has enabled AGM to expand and value-add its product range by offering customers more sustainable, bio-based alternatives and performance advantages.

Courage to execute a vision



The FC5 plant, which is both a demonstration plant as well as a platform for process optimisation, came online early 2019 at our site in Boyer, Tasmania, Australia. This plant is a critical component of the commercialisation plan as it provides trial volumes in hundreds of kg / low tonne volumes for both industry and academia. To date over 1,000 trials have been shipped to customers around the world. It remains a key asset in the Circa portfolio and currently is the largest producer of levoglucosenone or Cyrene™ globally (by several orders of magnitude!)



'ReSolute™ is the green deal in motion'

Phillip Mengal | Executive Director
Circular Bio-based Europe Joint Undertaking

Circa has fine-tuned for more than 10 years and across five pilot plants the world's only scalable production process for several high value bio-based chemicals. Our capacity to develop and scale this patented technology was key to winning the support of the French Government, the EU Horizon 2020 research and innovation programme and the Bio-based Industries Consortium to fund Project ReSolute™. ReSolute™ will be Circa's first industrial scale plant and it will be commissioned in the northeast of France by the end of 2023.

We lead the ReSolute™ consortium, which brings together 11 key actors from 6 European countries. Our partners represent the entire value chain, from feedstock to market uptake. The plant will scale-up the current Cyrene™ production process to 1,000 metric tonnes of output per year. This is the first in a series of plants on a roadmap that will see Circa build 80,000 tonnes of capacity by 2030.

ReSolute™ development under Covid-19 restrictions continued to progress in 2021. After announcing a cost increase in October, we have been undertaking a value engineering program to review, revise and reduce the capex requirements of the project and ensure plant costs are within updated estimates.

In addition, progress with potential vendors of major equipment is delivering positive results in yield optimisation and technologies to potentially reduce energy and consumption of consumables. At the same time, Circa is working on activities such as internal reallocation of funds, exploring further grant opportunities and vendor financing to ensure that the ReSolute™ project remains well capitalised.

We have been very pleased with the response and support of the local governments in the region to the project, with funding secured as well as offers of non-financial support for the project. Further grant opportunities continue to be discussed with the French Government, and in February 2022 it was announced that Circa was awarded €8.2 million from the French government for the development of the ReSolute™ plant in Eastern France as part of the 'France Relance' programme.

MERCK

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Enriching lives through innovation



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by AgroParisTech

AgroParisTech
Innovation

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Bio-based Industries
Consortium



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par

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ÉGALITÉ
FRATERNITÉ
GOUVERNEMENT



This project has received funding from the Bio Based Industries Joint Undertaking (JU) under grant agreement No 887674. The JU receives support from the European Union's Horizon 2020 research and innovation programme and the Bio Based Industries Consortium.

FC6 and the future



While we work on ReSolute™, our clear ambition is to build large scale capacity. The ReSolute™ plant engineering underway is lowering both the capital and timeline risks for future plants. Our next scale-up – FC6 – is expected to have a capacity of at least 10,000 tonnes. This increase in volume from our earlier indications is being considered based on positive market feedback, economies of scale and ramp up timetables. Site research is already underway.

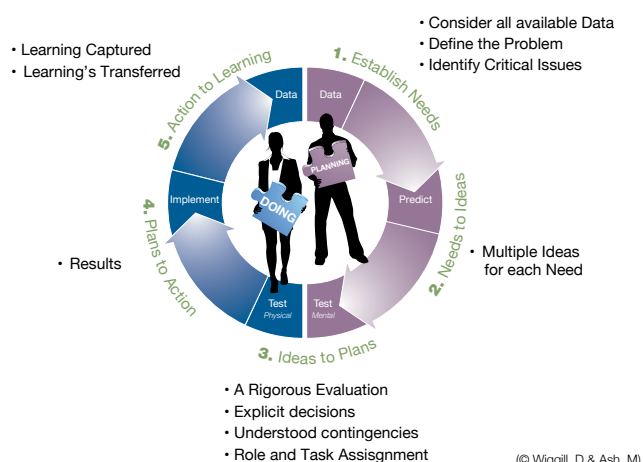
Working at the speed of trust

People and Values

“Leaders create an environment in which everyone has the opportunity to do work which matches his/her potential capability”

Dr Elliott Jacques

The Revolution Model™



Developing Circa's capabilities requires a coherent organisational framework that supports our strategy. There is important shareholder value being created by the investment we make in the capacity of the organisation to deliver our growth plan. In 2021 we have been building Circa's people capability by developing a unique program (Circus) focused on Circa's belief that fair and understood processes within the business increase trust, and trust is the corporate foundation that delivers better outcomes for all stakeholders.

Training hours

24 hours of in house company training per employee.

Discipline is not the enemy of creativity

Applying process to product development and manufacturing is how we deliver on our strategy. It is equally important that our organisational behaviours are values-based. Values form the foundation of our culture and guide how we do things at Circa. Our approach to people development establishes a shared understanding of our values and what they mean in the conduct of our business in market-facing roles.

Management team

Circa is a purpose-led and values-driven renewable chemicals company. We are headquartered in Oslo, Norway and have established a global leadership team. Four key appointments were made in 2021. A new head of manufacturing role was filled, and three women joined the Circa management team in quick succession – our CFO based in Oslo and two new general managers in market-facing roles.

CIRCA values
Courage, Initiative,
Respect, Community
and Accountability

Board of Directors

Lars Peder Sørvaag Sperre (Chair) (Norway)

Rune Sollie (Norway)

Trond Stangeby (Norway)

Gregory Ross Court (Australia)

James Alan Henneberry (Australia)

For Profiles of Directors please visit circa-group.com

Executive Team



Tony Duncan | Chief Executive Officer

Tony is the CEO and co-founder of Circa. He worked for over 30 years in the Australian and New Zealand print and paper industry before founding Circa in 2006.



Tone Leivestad | Chief Financial Officer

Tone has had extensive experience in finance, consulting and industry. She was previously Head of CFO Advisory at both KPMG Norway and Accenture Norway, as well as Group CFO in top-tier operations.



Ebbe Dommissie | Chief Operations Officer

Ebbe is a PhD chemical engineer and an accomplished senior executive in manufacturing with more than 25 years international experience executive level in Australia, South Africa, USA, China and SE Asia.



Jason Camp | Chief Technology Officer

Jason is a highly qualified PhD chemist with considerable experience working in both academia and industry across the US, Australia and UK. He has conducted research and published extensively in the areas of green chemistry and sustainable solvents, including Cyrene™.



Philipp Morgenthaler

Head of Manufacturing

Philipp has impressive experience in the development of greenfield factories and industrial-scale production facilities. He has significant global manufacturing expertise and networks from an international career spanning almost 20 years, leading teams across Europe, USA, China and Brazil.



Sarah Hickingbottom | General Manager UK

A PhD chemist, Sarah has extensive global experience advising brand owners, chemical manufacturers, start-ups and agricultural producers on bio-based economics and value chains. Sarah has worked on BBI JU projects delivering prize winning results and sits on the BioSwitch Advisory Board.



Amanda Keogh

General Manager
Sustainability and Marketing

Amanda is a recognised leader in sustainability and has supported many organisations to protect and enhance brand and stakeholder relations through ESG strategies and communications.

A community of partners delivering new value

Circa research partners play an important role in discovery, product development and applications. We work with them through multi-year collaborative research initiatives and ongoing programs of work where their specific expertise adds value to Circa's capability.



Leveraging these long-term relationships will help to build core technical competencies in Cyrene™ customer applications and in the development of new products. We are actively building our core R&D capabilities to be the experts in LGO production and the synthesis of LGO derivatives.

We are expanding our expertise by:

- Leveraging 8 years of research with the University of York's Green Chemistry Centre of Excellence (GCCE), with the establishment of a new Circa Institute.
- Funding small molecule research with the University of New England in New South Wales, leveraging work underway in flavours and pharmaceuticals.
- Working with AgroParisTech to develop capability in enzymatic derivatization of LGO.
- Developing key commercial research relationships in order to bring new molecules and processes to market at scale.
- Working with tier one companies in the replacement of toxic chemicals in the manufacture of artificial leather, textile recycling, graphene development, new polymers, coatings and pharmaceuticals.

Circa Renewable Chemistry Institute

In Q4 2021 Circa agreed with the University of York to establish the Circa Renewable Chemistry Institute within the University's Green Chemistry Centre of Excellence (GCCE). This is a significant development for Circa, and for the growth of renewable chemistry. The Institute will build on the University's established strengths with Cyrene™ and green polymer chemistry.

The Institute's mission is to advance and promote the development and commercialisation of renewable chemistry, processes and products that enable industry to transition to commercially viable, sustainable, and environmentally responsible bio-based products at industrial scale.

The initial focus of the Institute is to carry out application-driven research that enables the replacement of petrochemicals by:

- Supporting application research, particularly in relation to manufacturing opportunities for Cyrene customers.
- Developing new solvents for industrial processes.
- Valorisation options for biomass materials including waste feedstocks and biochar.

Recognising that there are systemic barriers (and supply chain inertia) to the transition to renewable chemistry, the Institute will over time extend its scope to convene stakeholders in a collaborative environment to explore and overcome the challenges of more sustainable production.



Report of the Board of Directors for 2021

About the Company

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, flavours, fragrances, electronics, batteries, paints, graphene, polymers, and many other applications where bio-based alternatives to current industrial chemicals represent innovative, cost-effective solutions.

Operations and locations

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

The Circa Group presently has geographical presence in Australia, France, UK and Belgium in addition to Norway.

Circa operates the FC5 plant built at the Norske Skog Boyer mill site in Tasmania. This is a large-scale prototype plant, and products manufactured at the FC5 plant are now being used by researchers and companies across Europe, the US, China and Australia. A new 1000 tonnes plant – ReSolute™ – is Circa's first industrial scale plant, being built in the Grand-Est Region in France, with planned commissioning in second half of 2023.

Circa Group in 2021

Effective 9 February 2021, Circa reorganised and established a new ultimate holding company, Circa Group AS, to prepare for the listing on Euronext Growth Oslo. The previous ultimate holding company was Circa Group Ltd. (CGL), which is now a wholly owned subsidiary of CGAS.

On 2 March 2021, Circa Group was successfully listed on Euronext Growth Oslo following a private placement of approximately EUR 50 million. The private placement was undertaken to secure financing for the construction of the ReSolute™ plant, as well as further development and commercialisation of the bio-solvent Cyrene™ and other LGO-based biochemicals. The ReSolute™ project continues to have strong regional and EU support.

As part of the reorganisation of Circa, a new French entity, Circa Sustainable Chemicals France SAS (CSC FR), was incorporated in May 2021, and Circa Sustainable Chemicals UK was sold to CGAS effective 1 June 2021.

ReSolute™ development under Covid-19 restrictions has been challenging but continues to progress. In the second quarter, the Head of Terms Agreement was signed with the site owner, Gazel Energie. The result of the basic engineering work by Wood and internal reviews saw the project costs escalate to a figure between EUR 50-55 million and this was communicated to the market on 14 October 2021. Work in the fourth quarter was focused on a range of activities to ensure costs are within updated estimates. Work with potential vendors of major equipment is delivering positive results in yield optimisation and technologies to potentially reduce energy and consumption of consumables.

At the same time, Circa is working on activities to address the capex price pressures such as internal reallocation of funds, exploring further grant opportunities and vendor financing to ensure that the ReSolute™ project remains well capitalised. We have been very pleased with the response and support of the local governments in the region to the project, with grant funding secured as well as offers of non-financial support for the project. Further grant opportunities are being discussed with the French Government, and early first quarter 2022 it was announced that Circa Group has been awarded EUR 8.2 million from the French government for the development of the ReSolute™ plant in Eastern France as part of the 'France Relance' programme.

Financial performance in 2021

Effective 9 February 2021, Circa reorganised and established a new ultimate holding company, CGAS. As there were no significant changes in the organisation nor ownership structure following the reorganisation, Circa Group is consolidated by using the reverse acquisition method where the historical financial statements are a continuance of CGL. As such, the 2020 income statement, balance sheet and cash flow are consolidated for CGL only and not comparable to the consolidated income statement, balance sheet and cash flow for 2021. 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.

Income statement

Circa does not expect any significant sales revenue prior to commissioning of the ReSolute™ plant in the second half of 2023. The Group's revenues in 2021 were EUR 1.0 million (EUR 3.6 million) and is mainly related to R&D income in Australia, as well as product sales from FC5.

Loss before tax in 2021 ended up at EUR -7.0 million, compared to a loss before tax of EUR -1.6 million in 2020. The change is due to the increased operational activity during 2021, related to the ReSolute™ plant, costs related to the private placement and the listing of the group on Euronext Growth, and organisation of the group in Europe.

Balance sheet

As of 31 December 2021, Circa had cash and cash equivalents of EUR 44.4 million (EUR 4.7 million), total assets of EUR 47.3 million (EUR 6.5 million) and equity of EUR 41.7 million (EUR -0.4 million). This corresponds to an equity ratio of 88%. Expenses capitalised per 31 December 2021 is EUR 2.2 million, which is related to ReSolute™. Total capex is offset by the Horizon 2020 grant contribution of EUR 1.1 million.

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 capitalised to date for the ReSolute™ project. This is included in "Other current liabilities".

Treasury shares

Refer to note 13 Share capital and Shareholders for further information on changes in the holdings of treasury shares.

Cash flow

Total cash flow from operating activities was EUR -7.0 million in 2021 (EUR -6.7 million), which is related to the operating loss for the year. The Group's capital investments during 2021 amounted to EUR 2.2 million (EUR 0.05 million), which is related to expenses for ReSolute™. Net cash flow from financing activities of EUR 47.5 million (EUR 10.9 million) is related to the capital raise.

Circa Group has a solid liquidity reserve and the ability to finance its operations is good.

Risk management

The main risk exposures for the Group are related to construction of the ReSolute™ plant in France, market risk related to future offtake agreements, as well intellectual property and financial risk. To ensure a robust process of mitigating the risks in the Group, Circa is initiating a systematic approach to risk handling and mitigation at all levels of the organisation.

ReSolute™ project risk

Circa is in the process of constructing the first of its kind ReSolute™ plant in France, and plans to construct further plants in the future. There are numerous risks associated with plant construction, including risks of delay, risk of escalating costs, risks of termination of the construction contracts by third parties, the risk of need for variation orders and amendments resulting in additional need for capital and the risk of failure by key suppliers to deliver necessary equipment.

The Group's ability to carry out profitable projects is important to meet our growth plans and business goals. To manage the risk, Circa is working on its project execution model to ensure quality and robustness required for future projects. The Group will be performing lessons learned processes, and project evaluation before investment decisions for new construction projects.

Market risk

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant in the second half of 2023, and thus limited market risk related to the current operation.

Circa has entered into, and will in the future enter into, various commercial agreements with respect to sale and offtake of its products. Detailed terms for such commercial agreements are subject to final agreement between the relevant parties. This may include elements such as price, volume and quality of the products. It is emphasised that the price achieved in commercial agreements for products may vary from contract to contract and will be exposed to pricing of raw materials.

Intellectual property risk

Circa Group's daily business and business strategy is tied to its technology and know-how. The Group relies on a combination of trade secrets, confidentiality procedures and contractual provisions to protect its intellectual property rights. The Group has registered patents / patent applications and trademarks covering its manufacturing process and key brand assets.

Financial risk

Circa Group is exposed to various financial risk factors, including market risk (interest rate risk and currency risk), liquidity risk and credit risk. The goal is to reduce the financial risk as much as possible, and the Group seeks to minimise losses and volatility caused by adverse market movements.

Financial risk management includes currency and liquidity planning. Moreover, the group monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments.

The company is exposed to financial risk in different areas, especially currency risk. The company's current strategy does not include the use of financial hedging instruments. This is however, continuously being assessed by the board of directors.

Liquidity risk

The liquidity in 2021 is good, following the capital raise in March 2021 and subsequent grants awarded to the company. Liquidity is ensured by maintaining sufficient cash balances.

The Group has a defined growth strategy and will be seeking additional funding as the roll-out of large-scale capacity plants begins, and for future M&A opportunities. The Group is dependent on raising substantial amounts of new financing to fund its future planned operations, working capital and capital expenditures beyond ReSolute™.

In order to effectively mitigate liquidity risk, Circa Group's liquidity risk management strategy focuses on maintaining sufficient cash for operations and managing liquidity risk is centralised on a group level. In order to uncover future liquidity risk, the group forecasts both short and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, and financing activities.

Interest risk

The company has no interest-bearing debt to external financial institutions and is thus to a limited extent exposed to interest rate risk.

Changes in the interest rate can also affect future investment opportunities. However, Circa has not entered into any investment activities and is to a limited extend exposed to interest rate risk.

Credit risk

Circa Group's credit risk is limited as the Group has minimal external sales. The revenue in Circa Group AS mainly derives from group internal revenue. The Group has not yet experienced losses on receivables.

Currency risk

The Group has expenses in various currencies, and the major currencies are EUR, AUD, NOK and GBP.

Currency volatility for the ReSolute™ project is to a certain extent mitigated by natural hedging, where the cash deposits are mainly held in EUR to match the majority of expenses. The Group has not entered into derivative or other agreements to reduce the currency risk.

Directors and officers liability insurance

Circa Group AS has a directors and officers liability insurance for the group and its subsidiaries. The insurance covers defence costs and potential legal liability for directors and officers arising out of claims made against them while serving on a board of directors and or as an officer. The insurance renews annually, and the sum insured was NOK 50 million on 31 December 2021.

Risk factors are further discussed in Note 15 Financial instruments in the consolidated financial statements.

Corporate Governance

Circa Group considers good corporate governance to be a prerequisite for value creation, trustworthiness, and access to capital. In order to secure sound and sustainable corporate governance, Circa and its subsidiaries attaches the greatest importance to good and healthy business practices, reliable financial reporting and an environment of compliance with applicable legislation and regulations across the Group structure.

Circa Group’s corporate governance policy regulates the division of roles between the shareholders, board of directors, executive management, and future committees. The corporate governance policy also provides the structure through which the objectives of the Group are set, and the means of attaining those objectives and monitoring performance are determined.

Based on the principles in the Norwegian Code of Practice for Corporate Governance, Circa will annually report at a high level on its compliance with corporate governance requirements and recommendations. Furthermore, a description of the most important corporate governance principles of the company are available on Circa Group’s website to ensure transparency on the standards applied. By publishing an overview of all aspects of Circa’s corporate governance policy, shareholders, employees and other stakeholders are more equipped to evaluate the extent to which the company follows principles of good corporate governance.

Circa Group believes that good corporate governance involves transparent and trustful cooperation between all parties involved in and with the Group and its business. This includes Circa’s shareholders, the board of directors and executive management team, employees, customers, suppliers and other business partners, as well as public authorities, and society at large.

To secure good corporate governance, Circa Group has adopted a set of governance documents setting out principles for how its business should be conducted. The content of these documents applies to the entire Group, effectively from the first day of the listing on Euronext Growth Oslo. The governance regime is approved by the board of directors of Circa Group. Further details are on www.circa-group.com

Decarbonisation

Circa works with global businesses committed to transitioning from fossil-based chemicals, including the solvents used in their industrial processes. The market for these solvents is mostly served by unsustainable and toxic fossil-based solvents. The EU Chemicals Strategy for Sustainability and the development of ‘safe and sustainable by design’ criteria by ECHA, the European Chemicals Agency, foreshadow the elimination of these toxic solvents such as NMP and DMF. Governments and industries worldwide are seeking substitutes to these chemicals which are harmful to human health and the environment.

Our flagship product Cyrene™ is widely acknowledged as one of the very few viable, low-toxicity and sustainable alternatives, with probably the broadest use profile. We are helping our customers to act on global regulations, such as EU’s REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and US TSCA (Toxic Substances Control Act), to minimise environmental, health and safety risk and address growing drivers from their own customers for sustainably made products.

Circa currently operates FC5, a prototype plant in Tasmania, Australia, in order to demonstrate to customers and investors that our Furacell™ production process enables continuous production of the platform molecule LGO and the current primary product Cyrene™ in tonne quantities, generating sufficient amounts of Cyrene™ for market development.

FC5 is a key milestone in a phased growth plan to develop a full commercial scale plant. The relatively small scale of this prototype plant means that the risk of potential impact on the external environment is low. The plant has met the conditions of its environmental permit from the local licensing authorities, with zero breaches in the reporting period.

The Furacell™ production process converts forestry residues, such as sawdust, agricultural wastes, wheat straw and sugar cane bagasse into two valuable chemicals. Our process uses the cellulose component and produces LGO, char, and water. Although biomass pyrolysis often produces unwanted chemicals, the Furacell™ process is highly selective, with minimal by-products and waste disposal. In fact, circularity is a defining feature of our production technology, and its carbon footprint is close to zero. This footprint does not include the emissions associated with raw material transport and product distribution as the volume of materials and level of activity is low.

FC5 is a pilot plant so continuous improvement and finding ways to increase the efficiency and productivity of the Furacell™ process is key. The following initiatives are planned for 2022 and it is expected they will enhance the environmental performance of its operations:

- Improvements to solids separation to reduce LGO losses from the system.
- Separation improvements, with the aim to reduce the water content of condensed feedstock, leading to a more efficient distillation of LGO while reducing losses to wastewater.

Cyrene™ is made from LGO in one simple step. Its performance, safety and sustainability profile are most important for Circa. We have obtained EU REACH Annex VIII for Cyrene™ Annex IX and US TSCA registration is underway. In use, Cyrene™ has low-flammability, is non-corrosive and its low-toxicity permits safer storage, transport and worker practices in the downstream environment. Cyrene™ is biocompatible, biodegradable, will not bioaccumulate, and unlike many solvents it does not release harmful NOx and SOx emissions on decomposition. Its recyclability at end of life is currently being assessed.

Research & Development

Circa is currently the only producer of the biochemical LGO at scale. With a wide range of derivative products available from this highly functional biomass derived molecule. R&D has always been a key part of Circa’s strategy. After 15 years of R&D and five pilot plants, Circa is generating significant global commercial and academic interest with its first commercial product, Cyrene™, a polar aprotic solvent, and is moving forward with a focused number of projects to produce and commercialise additional biomolecules from LGO.

Circa has a long-term integrated R&D strategy and has historically worked with expert groups across a range of universities, as opposed to building a large in-house chemistry team. With commercial scale production upcoming, Circa has increased its internal R&D group to increase responsiveness to new opportunities. The R&D team works to progress derivatisation pathways while 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.

The working environment and our employees

No incidents or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year. Absence due to sick leave in the Group is very low, and below 1% of available working time in 2021. The board considers this to be satisfactory.

The working environment in Circa continues to be monitored, and efforts for improvements are made on an ongoing basis. Circa has grown quickly over recent 12 months and will continue to do so. Hence, in 2021 Circa initiated a program for all staff “Circus”, designed from a strong academic foundation to provide a common language and skills that provide all staff with clear understanding of what is expected of them, and what they can expect from the business. Most importantly the program focuses on trust within the business – developing a structured environment where people can develop their skills safely.

As Circa is growing, we will commence a Group “climate” survey on a regular basis. The employee survey helps to capture the extent to which Circa succeeds in building a good working environment, as well as identify where there is room for improvement. Circa will map and follow developments in the working environment closely and implement measures where needed.

Diversity and inclusion

Total number of permanent employees at the end of the year was 14, of whom five women (36 %) and nine men (64 %). Nine different nationalities are represented among Circa's employees. In 2020 all employees were male, and the 2021 development shows the effect of Circa's staffing strategy that emphasises the value of diversity and heterogeneity.

Circa's global leadership team consists at 31 December 2021 of three women (43%) and four men (57%). The board of directors of Circa Group AS consists of five men at 31 December 2021. The board is currently undertaking a review to improve the diversity of the board composition.

Continuous focus on equality and diversity contributes to a good working environment throughout the organisation. Circa is an attractive workplace where the work environment is characterised by well-being, job engagement, openness and diversity. We provide equal opportunities for all employees, regardless of gender, age, colour of skin, nationality, ethnicity, religion, sexual orientation, gender identity, marital status or political affiliation. We do not tolerate any form of discrimination. A good working environment with engaged and motivated employees is central for Circa to be able to realise its goals.

Going concern

In accordance with the Accounting Act § 3-3a, the Board confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on investment and cash forecasts for the year 2022 and the Group's long-term strategic forecasts. Circa Groups economic and financial position is sound.

Outlook for 2022

Key activities in 2022 will be related to the construction of the ReSolute™ plant in France, continuing to build the Circa organisation in Europe, and the planning process for the next large commercial scale plant (“FC6”).

The company is well-funded following the approximately EUR 50 million capital raising in March 2021 and subsequent grants, and the company's projections indicate a sufficient financial runway.

Circa is one of very few companies which has a broad bio-based use solvent (Cyrene™) that can be used in commercial scale in a >1 million tonne sector. Companies manufacturing competing toxic solvents such as NMP and DMF are recognising this, as are large brand owners and others with corporate 2030 sustainability goals. The fact there is only one investment cycle for manufacturers between now and 2030 means they have to look at products that are either in or near market (i.e. semi production status). Circa, with Cyrene™, has one of the few replacements that is sustainable, has a lower carbon footprint, is safer and in many cases higher performing than traditional solvent products. We see the opportunity as considerable.

ReSolute™ project

The company continually revises cost budget and scope of the ReSolute™ project. These processes will continue through the life of the project, however it is planned that major vendor decisions will be underway in second quarter 2022. 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 by-products to generate further power and heat are currently being modelled, 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 ongoing.

Circa has initiated early-stage discussions with potential partners for future large industrial scale “FC6” plants to follow the ReSolute™ plant. Circa also initiated a process to explore further valorisation opportunities for process by-products.

Sales Agreements

Circa has deliberately engaged a distributor base for Cyrene™. For one group this is an arrangement for the UK and Ireland markets, and the other would be Australia and selected Asian markets.

Circa Group announced increased prices for LGO by 25%, and the Cyrene™ product portfolio in all markets by 15%, effective 1 March 2022, or as contracts allow. Several factors drive the increases, including rising costs for most inputs and growing customer demand for supply.

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. However, there will probably be indirect impact on stainless steel, catalyst pricing and freight costs (fuel pricing). Circa is also exposed to some degree on energy pricing, however at this stage it is not a major factor with regard to Circa cash flow. It is 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 closely monitored.

Circa Group AS (parent company)

The activities of Circa Group AS consists of holding shares in the operating companies and conducting the head office functions of Circa Group. The company had one employee on 31 December 2021 and purchased management services from employees of CGL.

Operating revenue of EUR 0.1 million (EUR 0.01 million) is primarily from the services performed within the group. Employee benefit expenses of EUR 2 million (EUR 0 million) and other operating expenses of EUR 1.3 million (EUR 0.3 million) are costs related to the listing of the Group on Euronext Growth Oslo, as well as head office functions. The loss for the year for Circa Group AS is EUR -3.7 million (EUR -0.2 million).

Net cash flow from operating activities is EUR -3.2 million (EUR 0 million) and net cash flow from financing activities related to the capital raise is EUR 39.5 million (EUR 0.5 million). Total assets at 31 December 2021 are EUR 66.5 million (EUR 0.7 million) and equity is EUR 65.3 million (EUR 0.3 million), which equals an equity ratio of 98%.

The risk factors described for the group are also relevant for the parent company.

The total number of shareholders was 2,543 at 31 December 2021.

Allocation of net income

The Group's net loss for the year was EUR 7.1 million, which the board recommends being allocated against uncovered loss.

Dividend proposal

For the financial year 2021, the board of directors has not proposed that the annual general meeting approves payment of dividend.

Oslo, Norway, 25 April 2022

The board of directors and CEO of Circa Group AS



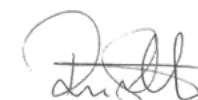
Lars Peder Sørvaag Sperre
Chair



Gregory Ross Court
Board member



James Alan Henneberry
Board member



Rune Solle
Board member



Trond Stangeby
Board member



Anthony James Duncan
CEO

Financial statements

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Income statement and other comprehensive income

For the year ended 31 December 2021

Parent company			Consolidated		
2021	2020		Note	2021	2020
		Revenue			
-	-	Product sales	3.4	18,711	83,199
121,521	76,048	Other revenue	3.4	941,230	3,560,387
		Expenses			
-	-	Cost of sales		363,139	242,897
2,048,832	-	Employee benefit expenses	16	2,850,082	600,161
1,335,689	271,757	Other operating expenses		4,274,130	4,377,638
- 3,263,000	- 195,709	Operating result		- 6,527,410	- 1,577,111
25,437	12	Interest income		5,882	23
417,470	-	Other financial income		359,727	-
442,907	12	Total finance income		365,609	23
125,568	-	Interest expenses		127,716	-
707,624	-	Other financial expenses		711,064	67,825
833,192	-	Total finance expenses		838,780	67,825
- 3,653,285	- 195,697	Net financial income/expenses		- 7,000,581	- 1,644,914
- 3,653,285	- 195,697	Net profit/loss before tax		- 7,000,581	- 1,644,914
-	-	Tax expenses	5	-	-
- 3,653,285	- 195,697	Net profit/loss		- 7,000,581	- 1,644,914
		Other comprehensive income:			
-	-	Foreign exchange gains/(losses)		- 71,095	-
- 3,653,285	- 195,697	Total comprehensive profit/loss for the period		- 7,071,676	- 1,644,914
		Basic earnings per share		- 0.06	- 15.97
		Diluted earnings per share		- 0.06	- 15.97

Statement of financial position

As of 31 December 2021

Parent company			Consolidated		
2021	2020		Note	2021	2020
		Assets			
		Non-current assets			
-	-	Tangible assets	9	1,244,589	53,196
29,519,913	-	Financial assets	12	-	-
29,519,913	-	Total non-current assets		1,244,589	53,196
		Current assets			
-	-	Inventory	8	-	49,899
302,607	257,744	Short term receivables	7	1,600,307	1,708,519
36,717,090	480,169	Cash and cash equivalents	6	44,422,071	4,724,408
37,019,697	737,912	Total current assets		46,022,378	6,482,826
66,539,610	737,912	Total assets		47,266,967	6,536,022
		Equity			
69,201,715	475,064	Issued and paid in equity	13	56,809,130	7,335,180
- 3,848,982	- 195,697	Other equity		- 15,067,139	- 7,685,095
65,352,733	279,367	Total equity		41,741,991	- 349,915
		Liabilities			
263,288	-	Employee benefits	11.12	263,288	-
-	-	Other non-current liabilities	11.12	11,539	562,590
263,288	-	Total non-current liabilities		274,827	562,590
392,669	-	Employees and related	10.12	541,374	32,408
530,921	419,579	Trade and other payables	10.12	706,260	179,363
-	38,966	Other current liabilities	10.12	4,002,515	6,111,576
923,590	458,545	Total current liabilities		5,250,149	6,323,347
66,539,610	737,912	Total equity and liabilities		47,266,967	6,536,022

Oslo, Norway, 25 April 2022

The board of directors and CEO of Circa Group AS



Lars Peder Sørvaag Sperre
Chair



Gregory Ross Court
Board member



James Alan Henneberry
Board member



Rune Sollie
Board member



Trond Stangeby
Board member



Anthony James Duncan
CEO

Statement of changes in equity For the year ended 31 December 2021

Parent company statement of changes in equity

(EUR)	Note	Share capital	Share premium	OCI	Retained earnings	Total
Balance 9 November 2020		2,801	0	0	0	2,801
Redemption of shares		-2,801	0	0	0	-2,801
Issuance		195,817	279,247	0	0	475,064
Result of period		0	0	0	-195,697	-195,697
Balance 1 January 2021		195,817	279,247	0	-195,697	279,367
Reversed acquisition		8,526,099	12,256,267	0	0	20,782,367
Issuances	13.24	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		0	0	0	-3,653,285	-3,653,285
Effects from reversed acquisition		0	0	0	0	0
Effects from earlier periods		0	0	0	0	0
Other comprehensive income		0	0	0	0	0
Balance 31 December 2021	13.14	11,838,171	57,363,544	0	-3,848,982	65,352,733

Consolidated statement of changes in equity

(EUR)	Note	Share capital	Share premium	OCI	Retained earnings	Total
Balance 1 January 2020		4,808,145	0	0	-6,040,181	-1,232,036
Issuances		2,527,035	0	0	0	2,527,035
Result of period		0	0	0	-1,644,914	-1,644,914
Balance 1 January 2021		7,335,180	0	0	-7,685,095	-349,915
Increase from reversed acquisition		1,339,872	142,929	0	0	1,482,802
Issuances	13.24	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		0	0	0	-7,000,582	-7,000,582
Effects from reversed acquisition		0	0	0	-498,832	-498,832
Effects from earlier periods		46,864	0	0	188,465	235,329
Other comprehensive income		0	0	-71,095	0	-71,095
Balance 31 December 2021	13.14	11,838,171	44,970,959	-71,095	-14,996,044	41,741,991

For information regarding issuance, refer to note 13 and note 24.

Statement of cash flows For the year ended 31 December 2021

Parent company			Consolidated		
2021	2020		Note	2021	2020
52,213	- 257,744	Cash receipts from operating activities		1,018,233	169,203
- 3,274,888	262,848	Cash payments from operating activities		- 7,976,624	- 6,914,953
- 3,222,675	5,105	Cash flows from operating activities		- 6,958,391	- 6,745,750
-	-	Proceeds from sale of property, plant and equipment	9	-	-
-	-	Payment for property, plant and equipment	9	- 2,172,369	- 51,317
-	-	Other cash items from investing activities		678,027	12,403
-	-	Cash flows from investing activities		- 1,494,342	- 38,914
				-	-
48,024,305	475,064	Proceeds from issuance of share capital	13	48,024,305	3,864,597
-	-	Proceeds from grants		38,878	8,385,367
- 8,564,709	-	Net proceeds from borrowings and net interests	21	- 121,836	- 1,326,826
39,459,596	475,064	Cash flows from financing activities		47,941,347	10,923,138
36,236,921	480,169	Net cash increase/decrease for the period		39,488,614	4,138,474
				-	-
480,169	-	Cash at beginning of period		5,399,474	473,826
36,236,921	480,169	Net change in cash for period	6	39,488,614	4,138,474
-	-	Foreign exchange cash		- 466,016	112,108
36,717,090	480,169	Cash at end of period		44,422,071	4,724,408

Circa Group AS

Notes to the financial statements

Note 1. Significant accounting policies

General information

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations from the IFRS Interpretations Committee (IFRIC) as approved by the European Union (EU). The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

The parent company's financial statements have been prepared in accordance with the Accounting Act § 3-9 and regulations on simplified IFRS (2014) given by the Ministry of Finance on 3 November 2014. This mainly means that measurement and recognition follow international accounting standards (IFRS) and presentation and note information are in accordance with Norwegian accounting Act, i.e. Norwegian Accounting Act and good accounting practice. The parent company's transition to IFRS is explained in note 27.

The consolidated and parent financial statements were authorised for issue by the board of directors of Circa Group AS on 25 April 2022.

New or amended Accounting Standards and Interpretations adopted

Changes in standards and interpretations during 2021 has not had any material impact on Circa Group's financial reporting.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The group does not expect the standards issued, but not yet effective, to have a material impact on the group's financial reporting. Any new or amended standards that are not yet mandatory have not been early adopted.

Basis of preparation

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Private Limited Liability Companies Act, these financial statements present the results of both the consolidated entity and the parent entity.

Note 1. Significant accounting policies (*continued*)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Circa Group AS ('company' or 'parent entity') as of 31 December 2021 and the results of all subsidiaries for the year then ended. Circa Group AS and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct.

The activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Euro, which is Circa Group AS's functional and presentation currency. Previous years, the functional currency was Australian dollars.

Foreign currency transactions

Foreign currency transactions are translated into Euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Euro using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Euro using the average exchange rates, which approximate the rates at the dates of the transactions, for the period.

Note 1. Significant accounting policies (*continued*)

All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Note 1. Significant accounting policies (*continued*)

Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 1. Significant accounting policies (*continued*)

Plant and equipment

Other operating assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

For plant under construction, the acquisition cost is reduced by grants received during the period.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

- Other operating assets: 3-5 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of other operating assets is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date (applies to the Australian subsidiaries) are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Significant accounting policies (*continued*)

Share-based payments

Circa Group has a long-term incentives programme (LTI) which falls within the scope of IFRS 2 Share-based payments. A share-based payment transaction is a transaction in which the company receives services from the employee of those services in a share-based payment arrangement. A cash settled share-based payment transaction is a share-based payment transaction in which the entity acquires services by incurring a liability to transfer cash to the employee of those services for amounts that are based on the price of the shares in the company. IFRS 2 applies not only to awards of shares but also to awards of cash of a value equivalent to the value, or a movement in the value, of a particular number of shares, which is the case for the long-term incentive plan. The ultimate cost of a cash-settled share-based transaction is the actual cash paid to the counterparty, which will be the fair value at settlement date. The periodic determination of this liability is at each reporting date between grant and settlement the fair value of the award. The fair value of the award is determined in accordance with the specific requirements in IFRS 2. During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined by applying an option pricing model, considering the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered services to date.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.

VAT and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

Government grants

Government grants are treated in accordance with IAS20 and its related purpose.

Government grants are recognised as income or as a cost reduction, dependent on the basis for which the government grant has been awarded. Recognition will be on a systematic basis over the period they have been granted for, or on a systematic basis to the costs that they are intended to compensate for. Government grants in the form of compensation for losses which have already been incurred, or in the form of direct financial support, which is not directly related to future costs, are recognised as income in the same period as they are awarded.

Government grants related to assets are presented in the balance sheet as deferred income or as a reduction of the depreciation of the assets the grant relates to. The grant will be recognised on a systematic basis over the periods in which the related expenses are recognised. The presentation method chosen is to deduct the grant in the carrying amount of the asset.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model considering the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. For the year ended 31 December 2021, the certainty of recovery cannot be reliably determined at this stage of the Group's development.

R&D Expenditure

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Management has decided that costs relating to the development of the FC5 pilot plant will be expensed rather than assessing costs for the above conditions have not yet been met.

Note 3. Income

Parent company			Consolidated	
2021	2020		2021	2020
-	-	Government Research & Development tax income	904 164	3 518 542
-	-	Other grant income	37 066	-
-	-	Sales	18 711	83 199
121 521	76 048	Other income	-	41 845
121 521	76 048	Income	959 941	3 643 585

		Geographical segment		
121 521	76 048	Norway	-	-
-	-	Australia	959 941	3 643 585
121 521	76 048	Income	959 941	3 643 585

The sales revenue consists of sale of Cyrene. Income related to R&D tax income in Australia is based on an estimated amount.

The geographical revenue information is based on the location of the company.

Note 4. Operating segments

Circa Group is a producer of unique and valuable biochemicals. 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 production for Cyrene™ is located in Tasmania, Australia.

The group is working with the ReSolute™ project in France to build a plant in Eastern France. Estimated start-up of the ReSolute™ plant is set to second half of 2023. Hence, the product is not part of segments as of 2021.

For management purposes, the group is organised into business based on geographical location. The Australian segment includes sales of Cyrene™, Government Research and Development tax income and other grant income. The Norwegian segment consist of management services provided to other group companies. For financial information regarding geographical segments, refer to note 3.

Note 5. Income tax expense

Parent company		Consolidated	
2021	2020	2021	2020
		Tax expense	
-	-	-	-
-	-	-	-
-	-	-	-
		Total tax expense	

		Reconciliation of tax expense	
- 3 653 285	- 195 697	- 7 000 581	- 1 644 914
- 803 723	- 43 053	- 1 540 128	- 361 881
-	-	139 304	- 65 797
-	-	383 411	511
803 723	43 053	1 017 413	427 166
-	-	-	-
0 %	0 %	0 %	0 %

		Deferred tax	
- 3 848 982	- 195 697	- 8 178 113	- 2 711 175
- 803 726	- 43 053	- 1 017 413	- 665 701
803 726	43 053	1 017 413	665 701
-	-	-	-
		Net deferred tax asset/liability (-)	

Tax rates by region

Norway	22,0 %	22,0 %
Australia	25,0 %	26,0 %
Belgium	25,0 %	25,0 %
United Kingdom	19,0 %	19,0 %
France	26,5 %	N/A

There was no income tax expense or other tax balances for the period ended 31 December 2021 due to the loss from operations (2020: nil).

The group will recognise a deferred tax asset only if it can demonstrate convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised.

Note 6. Cash and cash equivalents

Parent company		Consolidated	
2021	2020	2021	2020
36 695 638	480 169	44 400 619	4 724 408
21 452	-	21 452	-
36 717 090	480 169	44 422 071	4 724 408

Note 7. Trade and other receivables

Parent company		Consolidated	
2021	2020	2021	2020
80 842	-	220 840	10 023
121 521	77 170	-	-
3 168	-	7 673	-
-	-	904 164	1 668 999
97 076	180 574	467 630	29 497
302 607	257 744	1 600 307	1 708 519

The credit risk on trade and other receivables is continuously monitored, independent of due date.

The group's sales are mainly to known customers with a low degree of default, hence no provisions for expected loss have been made as of 31 December 2021.

Note 8. Inventories

Parent company		Consolidated	
2021	2020	2021	2020
-	-	-	49 899
-	-	-	49 899

The company have written off inventory of EUR 86 508 as of 31 December 2021.

Note 9. Property, plant and equipment

	Plant (under construction)	Other operating assets	Total
Acquisition cost 1 January 2021	117 482	59 907	177 389
Additions	2 099 636	92 854	2 192 490
Grant received			
Disposals	-	-	-
Exchange differences	-	-	-
Acquisition cost 31 December 2021	2 217 118	152 761	2 369 879
Accumulated grant received/depreciation 1 January 2021	66 727	57 466	124 193
Depreciation	-	6 489	6 489
Grant received	994 608		
Disposals	-	-	-
Exchange differences	-	-	-
Accumulated depreciation 31 December 2021	1 061 335	63 955	130 682
Net book value 31 December 2020	50 755	2 441	53 196
Net book value 31 December 2021	1 155 783	88 806	1 244 589

Useful life 3-5 years
Depreciation Straight line

The ReSolute plant is under construction and has not started depreciation. Acquisition cost is reduced by grants received during the period, refer to Note 1 Accounting principles.

Note 10. Current liabilities

Parent company			Consolidated	
2021	2020		2021	2020
386,412	-	Employees and related	541,374	-
530,921	419,579	Trade creditors	706,260	179,363
-	-	ReSolute grant liability	3,625,424	4,635,736
-	-	Unpaid holiday pay	136,104	49,874
6,257	38,966	Other current liabilities	240,987	1,458,373
923,590	458,545	Total current liabilities	5,250,149	6,323,346

ReSolute grant liability is a prepaid government grant recognised as a liability. For grants received directly relating to capitalised expenditures, Circa recognises the grant amount using the capital approach. Grants are recognised on a systematic basis over the periods in which the related expenses are recognised, and the presentation method chosen is to deduct the grant in the carrying amount of the asset.

Note 11. Non-current liabilities

Parent company			Consolidated	
2021	2020		2021	2020
263 288	-	Incentive plan employees	263 288	-
-	-	Long-term lease liability	11 539	-
-	-	Loan to related parties	-	562 590
-	-		-	-
-	-		-	-
263 288	-	Total non-current liabilities	274 827	562 590

For information regarding incentive plan, refer to note 23. For lease liability, refer to note 25.

Note 12. Categories of financial assets and financial liabilities

The fair value of investments in subsidiaries is unquoted and has been estimated using a valuation technique based on assumptions that are not supported by observable market prices. For the reorganisation, refer to note 24, the valuation relied on the price at which shares have been issued in recent equity-raising undertaken by Circa and comparable transactions methodology with reference to the actual prices achieved in transactions involving the same or similar assets.

Consolidated

31.12.2021	Note	Fair value through profit or loss	Amortised cost	Total
Assets				
Short term receivables	7	-	1 600 307	1 600 307
Cash and cash equivalents	7	-	44 422 071	44 422 071
Total financial assets		-	46 022 378	46 022 378

Liabilities

Interest bearing loans and borrowings

Employee benefits	11	-	263 288	263 288
Other non-current liabilities	11	-	11 539	11 539

Other financial liabilities

Employees and related	10	-	541 374	541 374
Trade and other payables	10	-	706 260	706 260
Other current liabilities	10	-	4 002 515	4 002 515
Total financial liabilities		-	5 524 976	5 524 976

Note 12. Categories of financial assets and financial liabilities (continued)

31.12.2020	Note	Fair value through profit or loss	Amortised cost	Total
Assets				
Short term receivables	7	-	1 708 519	1 708 519
Cash and cash equivalents	7	-	4 724 408	4 724 408
Total financial assets		-	6 432 928	6 432 928
Liabilities				
Interest bearing loans and borrowings				
Other non-current liabilities	11	-	562 590	562 590
Other financial liabilities				
Employees and related	10	-	32 408	32 408
Trade and other payables	10	-	179 363	179 363
Other current liabilities	10	-	6 111 576	6 111 576
Total financial liabilities		-	6 885 937	6 885 937

Parent company

31.12.2021	Note	Fair value through profit or loss	Amortised cost	Total
Assets				
Investments in subsidiaries	22	20 955 205	-	20 955 205
Loans to related parties	21	-	8 564 709	8 564 709
Short term receivables	7	-	302 607	302 607
Cash and cash equivalents	7	-	36 717 090	36 717 090
Total financial assets		20 955 205	45 584 406	66 539 611

Liabilities

Interest bearing loans and borrowings

Employee benefits	11	-	263 288	263 288
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Other financial liabilities

Employees and related	10	-	392 669	392 669
Trade and other payables	10	-	530 921	530 921
Total financial liabilities		-	1 186 878	1 186 878

Note 12. Categories of financial assets and financial liabilities (continued)

31.12.2020	Note	Fair value through profit or loss	Amortised cost	Total
Assets				
Short term receivables	7	-	257 744	257 744
Cash and cash equivalents	7	-	480 169	480 169
Total financial assets		-	737 912	737 912
Liabilities				
Other financial liabilities				
Trade and other payables	10	-	419 579	419 579
Other current liabilities	10	-	38 966	38 966
Total financial liabilities		-	458 545	458 545

Note 13. Share capital and shareholders

Parent company			Consolidated	
2021	2020		2021	2020
11 870 660	195 817	Ordinary shares	11 870 660	7 382 044
- 32 489	-	Own shares	- 32 489	-
11 838 171	195 817	Total share capital	11 838 171	7 382 044

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

On 14 April 2021, as a result of the Greenshoe option, the share capital in Circa Group AS was increased by EUR 144 705 (NOK 1 449 369), from EUR 11 642 660 (NOK 119 412 580) to EUR 11 787 365 (NOK 120 861 949) by issuing 1 449 369 new shares, each with nominal value of NOK 1. The subscription price was EUR 1.67 (NOK 16.75) per share and total subscription was EUR 2 423 815 (NOK 24 276 931). The total Greenshoe option was 4 450 000.

At the Company's extraordinary general meeting on 9 February 2021, it was resolved to issue 2 251 160 warrants. 1 851 160 of the warrants were issued to, and subscribed by, Tony Duncan (CEO). On 25 June 2021 851,160 of the warrants were exercised. The Company's share capital increased by NOK 851 160 by issue of 851 160 new shares, each with a nominal value of NOK 1.

For capital transactions related to reverse acquisition, refer to note 24.

Treasury shares

Overview of purchase and sale of treasury shares:

	Number of shares	Nomial value	% of sharecapital
Number of treasury shares 1 January 2021	0	0	0,0 %
Acquired 11 February 2021	333 340	80 021	0,3 %
Number of treasury shares 31 December 2021	333 340	80 021	0,3 %

Note 13. Share capital and shareholders (continued)

At the Annual General Meeting on 11 February 2021, approval was given for the Board of Directors to acquire 330 340 treasury shares with a nominal value totalling EUR 80 021 (NOK 821 021), split between share capital and reserves, see statement of changes in equity.

Shareholders as of 31 December 2021	Number of shares	Ownership %
NORSKE SKOG ASA	31 654 274	26,01
Saxo Bank A/S	30 230 235	24,84
CIRCA GROUP AS	17 814 720	14,64
LAWRENCE	6 156 060	5,06
BNP Paribas Securities Services	3 411 269	2,80
J.P. MORGAN BANK LUXEMBOURG S.A.	2 126 511	1,75
VERDIPAPIRFONDET DELPHI NORDIC	2 055 279	1,69
VERDIPAPIRFONDET FIRST GENERATOR	1 876 384	1,54
State Street Bank and Trust Comp	1 124 181	0,92
KLAVENESS MARINE FINANCE AS	1 121 479	0,92
NORDNET LIVSFORSIKRING AS	1 083 524	0,89
FJARDE AP-FONDEN	1 000 000	0,82
MANIFEX PTY LTD	999 000	0,82
Citibank, N.A.	906 000	0,74
WHITEHOUSE PTY LTD ATF WHITEHOUSE	750 000	0,62
The Bank of New York Mellon SA/NV	580 000	0,48
HAWKFISH AS	538 452	0,44
Pershing LLC	527 896	0,43
Skandinaviska Enskilda Banken AB	500 000	0,41
ENZIAN AS	500 000	0,41
Other shareholders	16 757 845	13,77
Total	121 713 109	100

Shareholders in Circa Group AS consist of:	Number of shares	Ownership %
Vestcourt Pty Ltd, Court Family Superannuation Fund	5 931 360	4,87
Duncan, Anthony James	5 480 000	4,50
Paper Science Pty Ltd, W D Raverty Superannuation Fund	2 080 000	1,71
Team America Pty Ltd	1 773 340	1,46
Moata Pty Ltd, Duncan Family Trust	1 000 000	0,82
Nora's Investments Pty Ltd, Nora's Superannuation Fund	760 000	0,62
Circa Group AS	333 340	0,27
Whitehouse Vic Pty Ltd, Whitehouse Superannuation Fund	250 000	0,21
The G&S McGregor Superannuation Fund	140 000	0,12
Foster, Allan James	66 680	0,05
Shareholder Circa Group AS	17 814 720	14,64

In the Euronext VPS registry, Circa Group AS is registered as the holder of 17 814 720 shares, of which 333 340 shares are owned and held in treasury by Circa Group AS. The remaining 17 481 380 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 in Australia, limiting ability to open the necessary broker accounts often requiring physical presence and display of passport. The majority of the 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 30 230 235 shares.

Note 14. Earnings per share and dividends

	2021	2020
Profit/loss for the year attributed to owners	-7 000 581	-1 644 914
Number of shares	121 713 109	103 000
Basic earnings/loss per share in EUR	-0,06	-15,97
Diluted earnings/loss per share in EUR	-0,06	-15,97

There were no dividends paid in 2021.

Note 15. Financial instruments

Financial risk

Circa Group is exposed to various financial risk factors, including market risk (interest rate risk and currency risk), liquidity risk and credit risk. The goal is to reduce the financial risk as much as possible, and the Group seeks to minimise losses and volatility caused by adverse market movements.

Financial risk management includes currency and liquidity planning. Moreover, the group monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments.

The company is exposed to financial risk in different areas, especially currency risk. The company's current strategy does not include the use of financial hedging instruments. This is however, continuously being assessed by the board of directors.

Liquidity risk

The liquidity in 2021 is good, following the capital raise in March 2021 and subsequent grants awarded to the company. Liquidity is ensured by maintaining sufficient cash balances.

The Group has a defined growth strategy and will be seeking additional funding as the roll-out of large-scale capacity plants begins, and for future M&A opportunities. The Group is dependent on raising substantial amounts of new financing to fund its future planned operations, working capital and capital expenditures beyond ReSolute™.

In order to effectively mitigate liquidity risk, Circa Group's liquidity risk management strategy focuses on maintaining sufficient cash for operations and managing liquidity risk is centralised on a group level. In order to uncover future liquidity risk, the group forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, and financing activities.

Interest risk

The company has no interest-bearing debt to external financial institutions and is thus to a limited extent exposed to interest rate risk.

Changes in the interest rate can also affect future investment opportunities. However, Circa has not entered into any investment activities and is to a limited extent exposed to interest rate risk.

Note 15. Financial instruments (continued)

Credit risk

Circa Group's credit risk is limited as the Group has minimal external sales. The revenue in Circa Group AS mainly derives from group internal revenue. The Group has not yet experienced losses on receivables.

Currency risk

The Group has expenses in various currencies, and the major currencies are EUR, AUD, NOK and GBP. Currency volatility for the ReSolute™ project is to a certain extent mitigated by natural hedging, where the cash deposits are mainly held in EUR to match the majority of expenses. The Group has not entered into derivative or other agreements to reduce the currency risk.

Fair value of financial instruments

The carrying amounts of financial instruments is considered a proven estimate reflecting the fair value.

Maturity analysis

Consolidated - 2021	< 6 months	6-12 months	1-5 years	>5 years	Total
Employee benefit	0	0	263 288	0	263 288
Other non-current benefits	0	0	11 539	0	11 539
Employees and related	541 374	0	0	0	541 374
Trade and other payables	706 260	0	0	0	706 260
Other current liabilities	377 091	3 625 424	0	0	4 002 515
	1 624 725	3 625 424	274 827	0	5 524 976

Consolidated - 2020	< 6 months	6-12 months	1-5 years	>5 years	Total
Employee benefit	0	0	0	0	0
Other non-current benefits	0	0	562 590	0	562 590
Employees and related	32 408	0	0	0	32 408
Trade and other payables	179 363	0	0	0	179 363
Other current liabilities	0	6 111 576	0	0	6 111 576
	211 771	6 111 576	562 590	0	6 885 937

Parent company - 2021	< 6 months	6-12 months	1-5 years	>5 years	Total
Employee benefit	0	0	263 288	0	263 288
Employees and related	392 669	0	0	0	392 669
Trade and other payables	530 921	0	0	0	530 921
	923 590	0	263 288	0	1 186 878

Note 15. Financial instruments (continued)

Parent company - 2020	< 6 months	6-12 months	1-5 years	>5 years	Total
Trade and other payables	419 579	0	0	0	419 579
Other current liabilities	38 966	0	0	0	38 966
	458 545	0	0	0	458 545

Note 16. Employee benefits

Parent company			Consolidated	
2021	2020		2021	2020
58 332	-	Salary and holiday pay	603 103	600 161
20 505	-	Social security contributions	53 766	-
1 276 859	-	Sharebased payments/bonus	1 276 859	-
995	-	Pension costs	68 191	-
56 760	-	Remuneration to BoD	56 760	-
635 381	-	Other personnel costs	791 403	-
2 048 832	-	Total employee benefit expenses	2 850 082	600 161

1 - Number of employees 14 5

Management remuneration	CEO	BoD *)
Salary	378 966	56 760
Pension	16 463	-
Total remuneration	395 430	56 760

*) Remuneration to Board of Directors for board members from Norske Skog ASA are invoiced from and paid directly to Norske Skog ASA. Effective from 1 March 2021

	Shares (number of)	Options (number of)
Tony Duncan (CEO)	6 480 000	1 000 000
Gregory Ross Court (BoD)	5 931 360	-
James Allen Henneberry (BoD)	1 773 340	100 000
Lars P. S. Sperre (BoD)	253 552	300 000
Rune Sollie (BoD)	152 890	100 000
Trond Stangebye (BoD)	-	-

All employees are registered in a defined contribution pension scheme.

Note 17. Other operating expenses

Specification of other operating expenses

Parent company			Consolidated	
2021	2020		2021	2020
-	-	Rent, premises	368 240	33 412
20 575	-	Office costs	433 654	10 894
-	-	Repair and maintenance of equipment	193 442	-
-	-	Rental of machines	40 290	-
1 186 796	271 757	External services	2 941 828	3 703 983
128 318	-	Other operating expenses	296 676	629 349
1 335 689	271 757	Total other operating expenses	4 274 130	4 377 638

Parent company			Consolidated	
2021	2020		2021	2020
29 380	955	Statutory audit	68 717	15 294
14 801	5 697	Other assurance services	14 801	166
44 181	6 652	Total remuneration of auditor	83 518	15 460

Note 18. Contingent assets

There are no contingent assets noted for the year ending 31 December 2021.

Note 19. Contingent liabilities

There are no contingent liabilities noted for the year ending 31 December 2021.

Note 20. Commitments

FC Five Pty Ltd has a commitment to related party Norske Skog Industries Australia Limited for the month-to-month commercial lease of premises at 1279 Boyer Road Tasmania at normal commercial rates for the purpose of developing the FC5 commercial production plant.

Note 21. Related party transactions

Parent entity

Circa Group AS is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Note 21. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 15.

Transactions with related parties

During the year there were transactions with the related entities of the consolidated group and with Norske Skog who is a shareholder of Circa Group AS. These terms were done on commercial terms. Refer to Note 23 for transactions with Norske Skog during the reorganisation.

Furthermore, internal invoicing has been carried out for management services between the companies based on market pricing, a gross amount of EUR 595 637.

Receivable from and payable to related parties

On reporting date, a total of EUR 464 206 is outstanding receivable and payable between related parties.

Loans to/from between Circa Group AS and subsidiaries

Parent company 2021	Assets	Liabilities
<i>Non-current</i>		
Circa Group Pty. Ltd.	4 245 424	-
Circa Sustainable Chemicals SAS	3 948 409	-
FC Five Pty Ltd	440 876	-
Circa Sustainable Chemicals BV	-	70 000
<i>Current</i>		
Circa Sustainable Chemicals SAS	121 521	-
Total	8 634 709	70 000

Parent company 2020	Assets	Liabilities
<i>Current</i>		
Circa Group Pty. Ltd.	77 170	-
Total	77 170	-

Note 22. Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results if the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest		Equity	Result
		2021 %	2020 %		
Circa Group Pty. Ltd.	Australia	100 %	100 %	-1 133 792	-1 260 432
FC Five Pty Ltd	Australia	100 %	100 %	-625 154	-928 062
Circa Sustainable Chemicals Pty Ltd	Australia	100 %	100 %	119 470	16 660
Circa Sustainable Chemicals Limited	United Kingdom	100 %	100 %	-647 491	-217 140
Circa Sustainable Chemicals BV	Belgium	100 %	100 %	-432 738	-51 544
Circa Sustainable Chemicals SAS	France	100 %	N/A	93 221	-906 779

Note 23. Share-based payments

Long term incentive programme

The Board of Directors in Circa Group AS has implemented a long-term incentive programme (LTI) for selected employees of the company and its subsidiaries. Fifteen employees were included in the option programme on 31 December 2021. Each option carries the right to be paid an amount in cash equal to the fair market value less the exercise price. Full or partial settlement of the allotted options can be requested three years after allotment. All options must be settled within five years after allotment.

The fair value of the options is initially set on the grant date, and at each reporting date, and expensed over the vesting period. EUR 126 910 and EUR 212 926 have been expensed in 2020 and 2021 respectively. The average fair value of options granted in 2021 was NOK 2.11 per option. The recognised share option programme liability is EUR 263 288 on 31 December 2021.

Overview of outstanding options:

	2021	2020
Outstanding options 1.1	112 558	-
Options granted	3 900 000	120 000
Options forfeited	-	-
Options exercised		- 7 442
Options expired	- 112 558	-
Outstanding options 31.12	3 900 000	112 558
Of which exercisable	-	-

Expiry date	Average strike price	Number of share options
2022	-	-
2023	-	-
2024	1,68	3 900 000
Total	1,68	3 900 000

The fair value of the options has been calculated using Black & Scholes option-pricing model for European call options with no dividends. For the options granted during the current financial year, the Black Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Strike price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value as at 31.12
01.03.2021	01.03.2024	1,76	1,68	76,31 %	-	0,95 %	0,07
01.07.2021	01.03.2024	1,72	1,78	76,31 %		0,95 %	0,05
01.09.2021	01.03.2024	1,48	1,47	76,31 %		0,95 %	0,04
01.10.2021	01.03.2024	1,54	1,55	76,31 %	-	0,95 %	0,03

The above calculations are based on the following assumptions:

Share price at grant date

The share price is set to the stock exchange price on the grant date.

Note 23. Share-based payments (continued)

The strike price per option

The strike price for the synthetic options granted 1 March 2021 is EUR 1,68 and will be adjusted for share events that has taken place in between the allotment date and the exercise date. For new employees the strike price is calculated based on a 7-day average preceding the employee starting date.

Expected volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility for the period 2 March 2021 (date of Initial Public Offering) until 31 December 2021.

The term of the option

It is assumed that 100 % of the employees will exercise the options once they are exercisable. The options are expected to have a term of three years. The effect of people leaving the scheme will be included in the valuation model with effect from the time the dismissal is received by the company. The remaining contractual life at year end is approximately 2.25 years.

Fair value on 31 December 2021

Each option carries the right to be paid an amount in cash equal to the fair market value less the exercise price. Fair value has been determined at each reporting date until it is settled, by taking into account the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered service to date.

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option.

Note 24. Reorganisation

Effective 9 February 2021, Circa reorganised and established a new ultimate holding company, CGAS. As there were no significant changes in the organisation nor ownership structure, the group is consolidated by using the reverse acquisition method where the historical financial statements are a continuance of CGL. 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.

The previous top holding company was CGL (note 21). The substance of the reorganisation 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 reorganisation and not a transaction. As a result, besides the share capital, the historical consolidated financial figures and financial statements are a continuance of CGL.

At the reorganisation date, 9 February 2021, 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 below. On 31 December 2020 the share capital in Circa Group AS was EUR 195 817 (NOK 2 060 000).

The company has had several capital transactions during the reorganisation process and share capital at reorganisation date was EUR 8 721 916 (NOK 89 562 580).

Note 24. Reorganisation (continued)

The transactions:

- On 20 January 2021, the share capital in Circa Group AS was increased by way of contribution in kind by EUR 413 430 (NOK 4 266 600), from EUR 195 817 (NOK 2 060 000) to EUR 609 248 (NOK 6 326 600) by issuing 213 330 new shares, each with a nominal value of NOK 20. The subscription price was EUR 4.72 (NOK 48.75) per share, and total subscription was EUR 1 007 736 (NOK 10 399 837.50)
- On 9 February 2021, the share capital in Circa Group AS was increased by way of debt conversion by EUR 2 245 602 (NOK 23 039 880), from EUR 609 248 (NOK 6 326 600) to EUR 2 854 850 (NOK 29 366 480) by issuing 1 151 994 new shares, each with a nominal value of NOK 20. The subscription price was EUR 4.75 (NOK 48.75) per share, and total subscription was EUR 5 473 656 (NOK 56 159 707.50)
- On 9 February 2021, the share capital in Circa Group AS was increased by contribution in kind by EUR 5 867 066 (NOK 60 196 100), from EUR 2 854 850 (NOK 29 366 480) to EUR 8 721 916 (NOK 89 562 580) by issuing 3 009 805 new shares, each with a nominal value of
- NOK 20. The subscription price was EUR 4.75 (NOK 48.75) per share, and total subscription was EUR 14 300 974 (NOK 146 727 993.75)
- On 9 February 2021, the shares in Circa Group AS were split in a ratio of 1:20, so that one share with a nominal value of NOK 20, becomes 20 new shares, each with a nominal value of NOK 1.

Note 25. Right-of-use assets

The group contracts include several assets such as buildings and fixture and fittings. A contract contains a lease if the contract carries the right to use and control of an identified asset for a period of time in exchange for a fee. Right-of-use assets are initially measured at cost and depreciated on a linear basis over the contract period. Non-lease components will be separated so long as they are identifiable. Lease terms are negotiated on an individual basis and may contain a wide range of terms and conditions.

The group's right-of-use assets are categorised and presented in the table below:

Right-of-use assets	Buildings	Total
Acquisition cost 1 January 2020		
Addition of right-of-use assets	55 129	55 129
Disposals	-	-
Transfers and reclassifications	-	-
Currency exchange differences	616	616
Acquisition cost 31 December 2021	55 744	55 744

Note 25. Right-of-use assets (*continued*)

Accumulated depreciation and impairment 1 January 2020

Depreciation	16 117	16 117
Impairment losses in the period	-	-
Disposals	-	-
Transfers and reclassifications	-	-
Currency exchange differences	142	142
Accumulated depreciation and impairment 31 December 2021	16 259	16 259

Carrying amount of right-of-use assets 31 December 2021	39 485	39 485
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Lower of remaining lease term or economic life	1,5 years
Depreciation method	Linear

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Total	
Less than 1 year	27 525	27 525
1-2 years	11 655	11 655
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
More than 5 years	-	-
Total undiscounted lease liabilities at 31 December 2021	39 180	39 180

Summary of the lease liabilities	Total	
At initial application 01.01.2021	-	-
New lease liabilities recognised in the year	51 962	51 962
Cash payments for the principal portion of the lease liability	15 554	15 554
Cash payments for the interest portion of the lease liability	-	-
Interest expense on lease liabilities	1 071	1 071
Currency exchange differences	452	452
Total lease liabilities at 31 December 2021	37 931	37 931
Current lease liabilities	26 392	26 392
Non-current lease liabilities	11 539	11 539
Total cash outflows for leases	15 554	15 554

The leases do not contain any restrictions on the Group's dividend policy or financing.
The group does not have significant residual value guarantees related to its leases to disclose.

No other lease expenses is recognised in profit and loss.

Practical expedients applied

The Group has no leasing activities where the practical expedients apply.

Note 25. Right-of-use assets (*continued*)

Extension options

The group's lease of buildings has a lease term of two years, including the option to renew for an additional term, which may be exercised during the last period of the lease term.

The group assesses at the commencement whether it is reasonably certain to exercise the renewal right. The group's potential future lease payments not included in the lease liabilities related to extension options is EUR 57 065 (gross) on 31 December 2021.

Note 26. Events after the reporting period

Grant awarded

Early first quarter 2022 it was announced that Circa Group has been awarded EUR 8.2 million from the French government for the development of the ReSolute™ plant in Eastern France as part of the 'France Relance' programme.

Price increase

Circa Group has announced increased prices for LGO by 25%, and the Cyrene™ product portfolio in all markets by 15%, effective 1 March 2022, or as contracts allow. Several factors drive the increases, including rising costs for most inputs and growing customer demand for supply.

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. However, there will probably be indirect impact on stainless steel pricing and freight costs (fuel pricing). Circa is also exposed to some degree on energy pricing, however at this stage it is not a major factor with regard to Circa cash flow. It is too early to say what impact there might be on supply chains for ReSolute, particularly long lead times, and the situation closely monitored.

Note 27. Transition to IFRS

This is the parent company's first financial accounts presented in accordance with simplified IFRS.

In connection with the preparation of the simplified IFRS opening balance sheet, no adjustments are identified compared to the previous annual accounts that were prepared according to NGAAP.



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Independent Auditor's Report

To the General Meeting in Circa Group AS

Opinion

We have audited the financial statements of Circa Group AS.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2021, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The accompanying financial statements comply with applicable statutory requirements.
- The financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view, for in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>

BDO AS

Børre Skisland
State Authorised Public Accountant
(This document is signed electronically)

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