

# Third Quarter 2022

**Circa Group AS**  
Changing chemistry for good™



## Introduction

Circa is a biotech company producing unique and highly valuable biochemicals. Using abundant and renewable non-food biomass such as sawdust, Circa makes Levoglucosenone (LGO) in its scalable and patented Furacell™ production process. LGO is a biomolecule platform used to produce multiple sustainable biochemicals that can replace toxic fossil-based chemicals widely used today in a wide range of applications; pharmaceuticals, agrochemicals, flavours, fragrances, electronics, batteries, paints, graphene, polymers, and many other applications where bio-based alternatives to current industrial chemicals represent innovative, cost-effective solutions. Cyrene™ - Circa's first commercial product – is a solvent gaining considerable interest in a >1,000,000 tonne market as a safer, high performing replacement for toxic, petro-based products.

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

## Report of the Board of Directors for the Third Quarter of 2022

### Q3 2022 Highlights

Progress continues according to plan across all key activities – ReSolute™, Market and R&D activities.

The finalisation of the basic engineering stage with most vendors has seen work packages move forward to final design stage as planned.

Market development with customers continues to focus on promoting the benefits of a low carbon, safer solvent that has a wider use profile than expected by the market. This is enabling Circa to position Cyrene™ as the most viable new solvent as regulations force the reduction in the traditional petro-based toxic competitors. To increase Circa's market capability, Nick Smith has been appointed as Head of Commercialisation, and will officially commence with Circa on January 1<sup>st</sup> 2023.

The Circa Renewable Chemistry Institute (CRCI) at the University of York has officially commenced with the initial Board meeting held in July. The CRCI Board (Circa chaired) sets out the research focus and agrees CRCI projects. Feedback from customers on the CRCI initiative is positive with particular interest in using the Institute expertise and equipment for application development work.

We have been very pleased with the support of the local governments in the region to the project, and in Q3 Circa was awarded grant support of € 500 000 from CASAS (the local mayors' association).

### Profit & loss

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

Q3 2022 proceeds on the expected run rate.

#### Income

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant, with hot commissioning starting at the end of 2023.

In 2022, grant income has been included as other revenue relating to compensation for expenses incurred during the current period.

**Expenses**

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

**Incentive plans**

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

**Balance sheet**

As of 30 September 2022, Circa had cash and cash equivalents of EUR 39.5 million, total assets of EUR 42.5 million and equity of EUR 37.2 million. Expenses capitalized per 30 September 2022 is EUR 3.9 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 capitalized to date for the ReSolute™ project. In September 2022 Circa received a payment of EUR 1.2 million based on the first periodic project reporting for BBI/Horizon 2020.

**Cash flow**

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

Net cash flow from operating activities was EUR -2.0 million in the third quarter. The Group's capital investments are EUR 0.8 million and grant received EUR 0.3 million in the third quarter, with net cash flow of EUR 0.5 million. This is related to ReSolute™.

Net cash flow from financing activities is EUR 1.3 million in the third quarter, due to grants received from BBI of EUR 1.2 million, and proceeds from issuance of share capital of EUR 0.1 million.

**Outlook****ReSolute™ project**

Contracts with major plant vendors are currently progressing, and the major contract with Valmet was signed in the beginning of November.

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

Site permitting documentation remains on plan.

**Future plants**

As indicated in the second quarter update, the FC6 development work is to commence in fourth quarter of 2022 after the ReSolute equipment delivery package detailed engineering design work has been completed. For this purpose, Circa and Valmet have also signed a conceptual engineering agreement. A small Circa / Valmet team is being formed with a view to start work on FC6 concepts in fourth quarter.

The strategic relationship with Valmet extends to the development of deployable modules with a production capacity of 10-15 thousand tonnes per annum, bringing Circa's next stage FC6 plant closer to fruition. For this purpose, Circa and Valmet have also signed a conceptual engineering agreement at this time.

### **War in Ukraine**

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

### **People & Organization**

During the quarter Circa undertook a search for a Site Manager for the ReSolute plant in Carling St Avold. This position will have responsibility for the site and plant build and will be the senior Circa person on site. An announcement on the successful applicant is expected late November.

During the quarter Circa continued the roll-out of the second Circus program to new staff employed during 2022. The focus of the program is to build common tools for projects, problem management and a greater understanding of value drivers for Circa. It recognises that in a business, as in a Circus, there are a large number of different roles, expertise and systems that act separately, but must act as a co-ordinated and synchronised unit to deliver a successful performance. In other words, there is a high level of trust - and whether it is customers, investors, suppliers or our own people, the speed a business moves forward is directly related to the trust between the various parties. The Circus program provides specific language and systems to help communications and project management across the 5 countries, 10 cities and four languages that form the Circa team. We are building resilience into the business.

Oslo, 16 November 2022  
The Board of Directors of Circa Group AS

## Interim financial statements

### Consolidated income statement and statement of comprehensive income

(EUR)	Notes	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Product sales		15 421	3 288	54 572	16 457
Other revenue	5	8 334	1 728	274 196	36 843
<b>Total revenue</b>		<b>23 755</b>	<b>5 016</b>	<b>328 768</b>	<b>53 300</b>
Cost of sales		107 976	73 039	221 261	211 408
Depreciation		3 263	0	9 543	457
Employee benefit expenses	4	642 150	604 259	1 963 347	2 849 973
Other operating expenses		762 330	709 392	2 727 093	3 047 201
<b>Total operating expenses</b>		<b>1 515 719</b>	<b>1 386 690</b>	<b>4 921 244</b>	<b>6 109 039</b>
<b>Operating result</b>		<b>-1 491 964</b>	<b>-1 381 674</b>	<b>-4 592 476</b>	<b>-6 055 739</b>
Interest income		11 794	11 173	29 377	12 419
Other financial income		844	73 489	613 418	177 751
<b>Total finance income</b>		<b>12 638</b>	<b>84 662</b>	<b>642 795</b>	<b>190 170</b>
Interest expenses		12 916	36 661	95 512	90 117
Other financial expenses	1.1	105 452	256 323	611 130	630 146
<b>Total finance expenses</b>		<b>118 368</b>	<b>292 984</b>	<b>706 642</b>	<b>720 263</b>
<b>Net financial income/ expenses</b>		<b>-105 730</b>	<b>-208 322</b>	<b>-63 847</b>	<b>-530 093</b>
<b>Net profit/ loss before tax</b>		<b>-1 597 696</b>	<b>-1 589 996</b>	<b>-4 656 322</b>	<b>-6 585 831</b>
<b>Tax expenses</b>		1 784	0	21 554	0
<b>Net profit/ loss</b>		<b>-1 599 480</b>	<b>-1 589 996</b>	<b>-4 677 876</b>	<b>-6 585 831</b>
<b>Other comprehensive income:</b>					
Foreign exchange gains/(losses)		38 163	15 997	-52 188	17 193
<b>Total comprehensive profit/ loss for the period</b>		<b>-1 561 317</b>	<b>-1 573 999</b>	<b>-4 730 064</b>	<b>-6 568 639</b>

## Consolidated balance sheet

<i>(EUR)</i>	<b>Notes</b>	<b>30.09.2022</b>	<b>30.09.2021</b>	<b>31.12.2021</b>
<b>ASSETS</b>				
Intangible assets		31 684	0	0
Tangible assets	5,6	2 165 653	874 964	1 244 589
<b>Total non-current assets</b>		<b>2 197 337</b>	<b>874 964</b>	<b>1 244 589</b>
Inventory		107 826	44 306	0
Short term receivables		749 487	262 578	1 600 307
Cash and cash equivalent	5,8	39 486 335	46 849 307	44 422 071
<b>Total current assets</b>		<b>40 343 648</b>	<b>47 156 191</b>	<b>46 022 378</b>
<b>Total assets</b>		<b>42 540 985</b>	<b>48 031 155</b>	<b>47 266 967</b>
<b>EQUITY</b>				
Issued and paid in equity		56 879 958	54 013 611	56 809 130
Other equity		-19 726 108	-11 695 589	-15 067 139
<b>Total equity</b>	7,8,10	<b>37 153 850</b>	<b>42 318 023</b>	<b>41 741 990</b>
<b>LIABILITIES</b>				
Employee benefits	4	187 935	639 647	263 288
Other non-current liabilities		11 952	0	11 539
<b>Total non-current liabilities</b>		<b>199 887</b>	<b>639 647</b>	<b>274 827</b>
Employees and related		235 736	646 830	541 374
Trade and other payables		393 943	248 019	706 260
Public duties and related		40 850	40 334	0
Other current liabilities	5	4 516 720	4 138 303	4 002 515
<b>Total current liabilities</b>		<b>5 187 249</b>	<b>5 073 486</b>	<b>5 250 149</b>
<b>Total liabilities</b>		<b>5 387 136</b>	<b>5 713 133</b>	<b>5 524 976</b>
<b>Total equity and liabilities</b>		<b>42 540 985</b>	<b>48 031 155</b>	<b>47 266 967</b>

Oslo, 16 November 2022  
The Board of Directors of Circa Group AS

## Consolidated statement of cash flows

(EUR)	Notes	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Cash receipts from operating activities		-44 103	224 529	667 641	2 462 183
Cash payments from operating activities		-1 998 858	-2 487 684	-5 881 018	-7 797 885
<b>Cash flows from operating activities</b>		<b>-2 042 961</b>	<b>-2 263 155</b>	<b>-5 213 377</b>	<b>-5 335 702</b>
Payment for property, plant and equipment	6	-467 673	-564 499	-952 748	-1 491 555
Other cash items from investing activities		0	0	0	678 027
<b>Cash flows from investing activities</b>		<b>-467 673</b>	<b>-564 499</b>	<b>-952 748</b>	<b>-813 529</b>
Proceeds from issuance of share capital	8	70 828	0	70 828	48 024 305
Proceeds from Grants		1 216 329	1 729	1 216 329	36 844
Net proceeds from borrowings and net interests		-1 122	-25 488	-66 135	-77 700
<b>Cash flows from financing activities</b>		<b>1 286 035</b>	<b>-23 759</b>	<b>1 221 022</b>	<b>47 983 449</b>
<b>Net cash increase/decrease for the period</b>		<b>-1 224 599</b>	<b>-2 851 413</b>	<b>-4 945 103</b>	<b>41 834 219</b>
<b>Cash at beginning of period</b>		<b>40 676 029</b>	<b>49 717 972</b>	<b>44 422 071</b>	<b>5 399 474</b>
Net change in cash for period		-1 224 599	-2 851 413	-4 945 103	41 834 219
Foreign exchange cash		34 905	-17 251	9 367	-384 385
<b>Cash at end of period</b>		<b>39 486 335</b>	<b>46 849 307</b>	<b>39 486 335</b>	<b>46 849 307</b>

## Consolidated statement of changes in equity

(EUR)	Notes	Share capital	Premium	OCI	Retained earnings	Total
<b>Balance 1 January 2022</b>		<b>11 838 171</b>	<b>44 970 960</b>	<b>-71 095</b>	<b>-14 996 044</b>	<b>41 741 991</b>
Issuances		41 511	29 317	0	0	70 828
Purchase own shares		0	0	0	0	0
Result of period, incl. P&L effects reversed takeover		0	0	0	-4 677 876	-4 677 876
Other comprehensive income		0	0	18 906	0	18 906
<b>Balance 30 September 2022</b>	8,10	<b>11 879 682</b>	<b>45 000 277</b>	<b>-52 189</b>	<b>-19 673 920</b>	<b>37 153 850</b>

## Notes to the condensed consolidated interim financial statements

### 1. General information

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

The consolidated financial statements have been prepared in accordance with IFRS.

#### 1.1 Currency

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

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

	Q3 22	Q3 21	31.12.2021
AUD	0.66	0.62	0.64
GBP	1.13	1.16	1.19
NOK	10.58	10.17	9.99

### 2. Accounting policies

The interim financial statements of Circa Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the CGAS consolidated financial statements 31 December 2021. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the CGAS annual financial statements for 31 December 2021.

### 3. Estimates, judgements, and assumptions

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

### 4. Long term incentive plan

CGL cancelled its previous incentive program and CGAS replaced it with a new plan effective as of 1 March 2021. Key members of the management and selected new hires and other key resources has been granted synthetic options equivalent of 4,250,000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share, or the average the first week of employment for new hires. The options vests upon commissioning of the ReSolute™ plant and expires 1 April 2025.



## 5. Government Grants

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

Per 30 September 2022, Circa has received grants both relating to capitalized expenses and to expenses in current period. Grant received relating to expenses in current period is presented as other revenue. Circa has also received a prepayment for the Horizon 2020 Flagship grant to partly cover capital expenditures of constructing the ReSolute™ plant.

## 6. Tangible assets

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

(EUR)	Capitalized expenses	Grant received*	Total ReSolute	Net other PPE	Total tangible assets
Balance 31 December 2021	2 217 118	-1 061 335	<b>1 155 783</b>	88 805	<b>1 244 589</b>
Transactions during period	619 106	-17 245	<b>601 861</b>	-5 762	
Balance 31 March 2022	2 836 224	-1 078 580	<b>1 757 644</b>	83 043	<b>1 840 688</b>
Transactions during period	320 933	-465 676	<b>-144 743</b>	312	
Balance 30 June 2022	3 157 157	-1 544 256	<b>1 612 901</b>	83 355	<b>1 696 257</b>
Transactions during period	763 424	-287 162	<b>476 262</b>	-6 865	
<b>Balance 30 September 2022</b>	<b>3 920 581</b>	<b>-1 831 418</b>	<b>2 089 163</b>	<b>76 490</b>	<b>2 165 653</b>

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

## 7. Principal shareholders

Shareholder	Number of shares	Ownership %	Account Type
NORSKE SKOG ASA	31 654 274	25,92	
Saxo Bank A/S	27 351 867	22,40	NOM
CIRCA GROUP AS	11 324 720	9,27	
DUNCAN	5 480 000	4,49	
LAWRENCE	4 556 060	3,73	
Citibank	3 823 970	3,13	
VERDIPAPIRFONDET DELPHI NORDIC	2 225 480	1,82	
J.P. Morgan SE	2 200 000	1,80	
VERDIPAPIRFONDET FIRST GENERATOR	2 112 567	1,73	
Pershing LLC	1 943 715	1,59	
FJARDE AP-FONDEN	1 529 133	1,25	
NORDNET LIVSFORSIKRING AS	1 250 115	1,02	
BNP Paribas	1 046 273	0,86	NOM
KLAVENESS MARINE FINANCE AS	1 026 479	0,84	
State Street Bank and Trust Comp	1 001 455	0,82	
MANIFEX PTY LTD	999 000	0,82	
HAWKFISH AS	854 952	0,70	
SVANDAL	620 000	0,51	
JOMANI AS	607 539	0,50	
Skandinaviska Enskilda Banken AB	500 000	0,41	NOM
Other shareholders	20 005 510	16,38	
<b>Total</b>	<b>122 113 109</b>	<b>100,00</b>	

The data is extracted from VPS 15 November 2022.

In the Euronext VPS registry, Circa Group AS is registered as the holder of 11,324,720 shares, of which 333,340 shares are owned and held in treasury by Circa Group AS. The remaining 10,991,380 shares are temporarily held by Circa Group AS on behalf of shareholders awaiting settlement to nominee or individual accounts. The majority of investors that have transferred shares into individual holding accounts have used a nominee account provided by Saxo Bank.

## 8. Equity

Effective 9 February 2021, Circa Group reorganized and established a new holding company, CGAS. The previous top holding company was CGL. The substance of the reorganization being that the ultimate holding company, CGAS, acquired the existing group, CGL.

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

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

## 9. Related parties

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

## 10. Subsequent events after the balance sheet date

Circa Sustainable Chemicals France SAS (CSCFR) has in November 2022 completed a capital increase of EUR 8 million. This was a requirement for receiving the first prepayment of EUR 2.1 million from BPI France as part of the “France Relance Programme”. The prepayment is expected to be received in Q4 22. The payment of the remaining grant will follow the progress of ReSolute™.

CSC FR received in November 2022 a prepayment of 30% of the grant funding of EUR 850 000 from the Coal Fund. The payment of the remaining grant will follow the progress of ReSolute™.

In November, Circa Group signed a contract with Valmet for the delivery of equipment to its ReSolute™ plant. This equipment contract specifies the pyrolyzer technology, the circulating fluidised bed (CFB) boiler and the automation system, which will be delivered over the second and third quarter of 2023.