

Second Quarter 2023

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 Second Quarter of 2023

Q2 2023 Highlights

FC5

Further optimisation of the FC5 plant in line with recent studies continues to improve output and volumes available for the market. The FC5 and ReSolute™ lead teams are now well integrated to maximise optimisation learnings for both plants.

ReSolute™

While we continue to finalise costings for the balance of plant and construction work, the environmental and construction permitting processes move forward with no major delays or concerns. Circa has started a process of engagement with neighbouring communities in preparation for the public consultation process to commence Q3 2023.

Major equipment vendors do not report any manufacturing delays and delivery of some initial plant is underway.

FC6

An expert Circa / Valmet development team is working on initial FC6 concepts and production opportunities – including optimising plant chemistry, pre-fractionation and valorisation of side streams. The appointment of Dr Alessandro Napoli to Circa will strengthen this team, with an added focus both on process chemistry and the side stream valorisation projects.

Market

During the quarter we saw further positive signs from the market with engagement with a global agrichemicals business looking at replacements for solvents currently in use. Also, we saw positive patents from major companies for the use of Cyrene™ in the production of vehicle tyres and another for the recycling and recovery of carbon fibre from reinforced composite materials - an area of growing concern to regulators and industry and one where there has been limited success until now.

R&D

Circa Group AS has applied for patents for two new solvents for CO₂ capture processes. As both the interest and the urgency to capture and transform carbon dioxide (CO₂) emissions increases, Circa has developed two new CO₂ solvents from its platform molecule, levoglucosenone (LGO).

The two new solvents named Furatech:1 and Furatech:2 are the product of 12 months of development and testing across a range of new LGO-based molecules within Circa's R&D team. The Furatech products have been designed to be used in several existing CO₂ capture processes and discussions are underway about further optimisation with our engineering partners.

Furatech testing has shown good CO₂ capture performance across multiple cycles, as well as lower energy requirements in the desorption phase compared to current industry standards. With the ReSolute™ plant commissioning planned for mid-2024, further testing and trialling of Furatech:1 and Furatech:2 will continue in parallel.

People & Organisation

As part of the continuous process to strengthen the organisation for the ongoing industrialisation and growth of Circa, the board of directors is pleased to announce that Dr Steve Döring has been appointed as the next CEO of Circa Group AS. The engagement of Dr Döring is part of a succession plan following Tony Duncan's enormous efforts in the CEO role for Circa in over a decade. Tony Duncan will continue in the CEO role up to the transition with Dr Döring which is scheduled to take place in Q4 2023.

Dr Alessandro Napoli was appointed VP Product Development, commencing September 2023. Joining the Circa leadership team, his responsibilities include development of levoglucosenone derivatives as well as optimising process chemistry for the ReSolute™ and FC6 manufacturing operations. Dr Napoli has many years of experience in senior research and commercialisation roles and his role at Circa will be focussed on improving "product-to-market" timelines.

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.

The spend in Q2 2023 proceeds in line with the expected quarterly run rate.

Income

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

Revenue includes product sales from the FC5 plant in Tasmania. Other revenue includes grant income relating to compensation for expenses incurred during the current period.

Expenses

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

Incentive plans

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

Balance sheet

30 June 2023 Circa had cash and cash equivalents of EUR 27.5 million, total assets of EUR 43.1 million and equity of EUR 33.5 million.

Expenses capitalized 30 June 2023 is EUR 17.7 million, with EUR 6.5 million capitalized in the second quarter. Refer to note 6 Plant and equipment for further information. The increase in investments compared to previous quarters is following the progress of ReSolute and is in accordance with plan.

Grants

Of announced grants of EUR 20.3 million, EUR 8.2 million are so far recognized in the accounts as received.

Cash flow

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

Net cash flow from operating activities was EUR 2.0 million in the second quarter. Net cash flow from investment activities of EUR -6.7 million is related to ReSolute™. The positive net cash flow from operating activities is due to the increase in investments being reflected in trade creditors as of second quarter. This is in accordance with plan.

Outlook

Going forward, the Company will initiate discussions with industrial, strategic and financial partners to accelerate the process and initiation related to the FC6 project and to enhance the longer-term liquidity of the Company. The Company and the Board of Circa have now engaged DNB Markets, a part of DNB Banks ASA and Pareto Securities AS (together the “Managers”) as financial advisors to assist in evaluating the best strategic and financial options, including potential partnerships for the Company in relation to the Company’s current project pipeline.

Market

The market for Circa products remains strong despite volatility. Our market opportunities grow with the support shown from both our distributors and direct business (see above comments regarding new patent developments). Continued support from distributors, epitomised by the relationships with Oqema, Merck and Will & Co grows. Circa is now formalising these commercial relationships with joint development teams.

ReSolute™

Inflationary pressure across the project and additional site specific infrastructure - civil works, piping and effluent treatment are placing considerable pressure on capex. Circa has conducted a process to address these items, and the outcome is the updated Capex estimate for the ReSolute plant of € 73 million.

R&D

While cost pressures remain in Europe, we continue to increase R&D work for ReSolute and FC6 with our key equipment partners – Valmet and Ekato. The focus of these projects is optimisation and cost down. Further specific details will be available as progress becomes more apparent. The opening of the CRCI at University of York provides a platform for customer application work as well as supporting ReSolute and FC6.

FC6 location process

We have also engaged research for early-stage work to understand key criteria for the next stage plant, particularly relating to biomass supply. Early stage understanding of biomass availability is critical to site selection and there are considerable differences both geographically between European sites and elsewhere, as well as costs (eg forest residues vs bagasse). Circa is in a fortunate position that it can utilise most cellulose rich feedstocks – whether from plantations or agricultural waste.

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 conclude on the impact of the war on supply chains for the ReSolute™ project, particularly long lead time items, and the situation is being closely monitored.

Oslo, 16 August 2023

The Board of Directors of Circa Group AS

Interim financial statements

Consolidated income statement and statement of comprehensive income

All amounts in EUR 1000

| | Note | Q2 2023 | Q2 2022 | YTD 2023 | YTD 2022 |
|--|------|---------------|---------------|---------------|---------------|
| Product sales | | 8 | 17 | 45 | 39 |
| Other revenue | 5 | 590 | 160 | 727 | 266 |
| Total revenue | | 598 | 177 | 772 | 305 |
| Cost of sales | | -112 | -67 | -142 | -113 |
| Depreciation | | -3 | -4 | -6 | -6 |
| Employee benefit expenses | 4 | -862 | -845 | -1 692 | -1 321 |
| Other operating expenses | | -795 | -1 070 | -1 457 | -1 965 |
| Total operating expenses | | -1 772 | -1 986 | -3 297 | -3 405 |
| Operating result | | -1 174 | -1 809 | -2 525 | -3 100 |
| Interest income | | 155 | 13 | 269 | 18 |
| Other financial income | | 24 | 324 | 45 | 613 |
| Total finance income | | 179 | 337 | 314 | 631 |
| Interest expenses | | -1 | -52 | -1 | -83 |
| Other financial expenses | | -57 | -481 | -433 | -506 |
| Total finance expenses | | -58 | -533 | -434 | -589 |
| Net financial income / expenses | | 121 | -196 | -120 | 42 |
| Net profit (loss) before tax | | -1 054 | -2 004 | -2 647 | -3 059 |
| Tax expenses | | 0 | 20 | 10 | 20 |
| Net profit (loss) | | -1 054 | -2 024 | -2 657 | -3 079 |
| <i>Items that may be reclassified subsequently to income statement</i> | | | | | |
| Foreign exchange gains (losses) | | 6 | 70 | 163 | -90 |
| Other comprehensive income (loss) for the period | | 6 | 70 | 163 | -90 |
| Total comprehensive profit (loss) for the period | | -1 048 | -1 954 | -2 494 | -3 169 |

Consolidated balance sheet

All amounts in EUR 1000

| | Note | 30.06.2023 | 30.06.2022 | 31.12.2022 |
|--------------------------------------|----------|---------------|---------------|---------------|
| Assets | | | | |
| Intangible assets | | 24 | 33 | 29 |
| Plant and equipment | 5, 6 | 14 429 | 1 670 | 6 976 |
| Right-of-use assets | | 50 | 26 | 12 |
| Financial assets | | 28 | 0 | 0 |
| Total non-current assets | | 14 530 | 1 730 | 7 016 |
| Inventory | | 50 | 75 | 0 |
| Short term receivables | | 1 019 | 942 | 1 279 |
| Cash and cash equivalent | 5 | 27 483 | 40 676 | 34 769 |
| Total current assets | | 28 552 | 41 693 | 36 048 |
| Total assets | | 43 083 | 43 423 | 43 064 |
| Equity | | | | |
| Issued and paid in equity | | 56 880 | 56 809 | 56 880 |
| Other equity | | -23 345 | -18 164 | -20 851 |
| Total equity | 7, 8, 10 | 33 535 | 38 644 | 36 029 |
| Liabilities | | | | |
| Employee benefits | 4 | 21 | 388 | 192 |
| Other non-current liabilities | | 38 | 12 | 0 |
| Total non-current liabilities | | 59 | 400 | 192 |
| Employees and related | | 181 | 225 | 307 |
| Trade and other payables | | 5 104 | 376 | 507 |
| Public duties and related | | 42 | 0 | 38 |
| Other current liabilities | 5 | 4 162 | 4 301 | 5 990 |
| Total current liabilities | | 9 489 | 4 379 | 6 843 |
| Total equity and liabilities | | 43 083 | 43 423 | 43 064 |

Oslo, 16 August 2023
The Board of Directors of Circa Group AS

Consolidated statement of changes in equity

| <i>All amounts in EUR 1000</i> | Note | Share capital | Share premium | Retained earnings | Total |
|----------------------------------|------|---------------|---------------|-------------------|---------------|
| Balance 1 January 2023 | | 11 880 | 45 000 | -20 851 | 36 029 |
| Net profit (loss) for the period | | 0 | 0 | -2 657 | -2 657 |
| Other comprehensive income | | 0 | 0 | 163 | 163 |
| Balance 30 June 2023 | 8 | 11 880 | 45 000 | -23 345 | 33 535 |

Consolidated statement of cash flows

| <i>All amounts in EUR 1000</i> | Note | Q2 2023 | Q2 2022 | YTD 2023 | YTD 2022 |
|---|------|---------------|---------------|---------------|---------------|
| Cash receipts from operating activities | | 107 | 1 740 | 182 | 712 |
| Cash payments from operating activities | | 1 901 | -3 476 | -571 | -3 882 |
| Interest received | | 155 | 13 | 269 | 18 |
| Interest paid | | -1 | -52 | -1 | -83 |
| Cash flows from operating activities | | 2 162 | -1 775 | -121 | -3 235 |
| Payment for property, plant, equipment and intangible assets | 6 | -6 724 | 147 | -7 449 | -485 |
| Other cash items from investing activities | | 0 | | 0 | 0 |
| Cash flows from investing activities | | -6 724 | 147 | -7 449 | -485 |
| Payment of principal portion of lease liabilities | | 8 | 0 | 1 | 0 |
| Proceeds from issuance of share capital | 12 | 0 | 1 | 0 | 1 |
| Proceeds from Grants | | 93 | 0 | 93 | 0 |
| Cash flows from financing activities | | 101 | 1 | 94 | 1 |
| Foreign currency effects on cash and cash equivalents | | -48 | 65 | 190 | -27 |
| Total change in cash and cash equivalents | | -4 509 | -1 562 | -7 286 | -3 746 |
| Cash and cash equivalents at beginning of period | 11 | 31 992 | 42 238 | 34 769 | 44 422 |
| Cash at end of period | 11 | 27 483 | 40 676 | 27 483 | 40 676 |
| Reconciliation of cash flows from operating activities | | | | | |
| Net profit/loss before tax (less interest) | | -1 208 | -2 044 | -2 915 | -3 124 |
| Change in working capital | | 3 667 | 215 | 4 602 | -51 |
| Depreciation | | 2 | 3 | 6 | 6 |
| Cash receipts from other operating activities | | 244 | 595 | 445 | 521 |
| Cash payments from other operating activities | | -543 | -544 | -2 259 | -587 |
| Net cash flows from operating activities | | 2 162 | -1 775 | -121 | -3 235 |

Notes to the condensed consolidated interim financial statements

1. General information

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:

| | <i>Income statement</i> | | | <i>Balance sheet</i> | | |
|-----|-------------------------|----------|-------|----------------------|------------|------------|
| | YTD 2023 | YTD 2022 | 2022 | 30.06.2023 | 30.06.2022 | 31.12.2022 |
| AUD | 0,61 | 0,67 | 0,66 | 0,61 | 0,66 | 0,64 |
| GBP | 1,15 | 1,18 | 1,17 | 1,17 | 1,17 | 1,13 |
| NOK | 11,66 | 10,02 | 10,10 | 11,70 | 10,35 | 10,51 |

2. Accounting policies

The interim financial statements of Circa Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full consolidated financial statements and should be read in conjunction with the CGAS consolidated financial statements 31 December 2022. The interim consolidated financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the CGAS consolidated financial statements 31 December 2022.

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

CGAS implemented an incentive plan effective as of 1 March 2021. Key members of the management and selected new hires and other key resources has been granted synthetic options equivalent of 3 600 000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share, or the average the first week of employment for new hires. The options vest upon commissioning of the ReSolute™ plant and expire 1 April 2025.

5. Government Grants

Government grants are recognized both after the income- and capital approach. Government grants recognised as income will be included over the period they have been granted for. The income approach is applied on grants that compensate for operating costs and is presented as "Other revenue". The grant income is recognized in the period where expenses are incurred. Where the related grant is a compensation for expenses incurred in previous accounting periods, the grant is recognized in the period in which it becomes 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 is recognized on a systematic basis over the periods in which the eligible expenses are recognized and hits the income statement indirectly through the reduced depreciation. The presentation method chosen is to deduct the grant in the carrying amount of the asset.

As of 30 June 2023, Circa has received grants both relating to capitalized expenses and to expenses in the current period. Grant received relating to expenses in the current period is presented as other revenue. Circa has also received prepayments for the Horizon 2020 Flagship grant, the Coal Fund and BPI France ("France Relance" grant) to partly cover capital expenditures of constructing the ReSolute™ plant.

6. Plant and equipment

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

| <i>All amounts in EUR 1000</i> | Capitalized expenses | Grant received* | Total ReSolute | Net other PPE | Total plant & equipment |
|---------------------------------|-----------------------------|------------------------|-----------------------|----------------------|------------------------------------|
| Balance 31 December 2022 | 10 070 | -3 106 | 6 964 | 11 | 6 976 |
| Transactions during period | 1 096 | -367 | 729 | -1 | 728 |
| Balance 31 March 2023 | 11 166 | -3 473 | 7 693 | 10 | 7 704 |
| Transactions during period | 6 511 | 216 | 6 727 | -2 | 6 725 |
| Balance 30 June 2023 | 17 677 | -3 257 | 14 420 | 8 | 14 429 |

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

7. Principal shareholders

| Shareholder | Number of shares | Owner ship % | Account type |
|----------------------------------|--------------------|---------------|--------------|
| NORSKE SKOG ASA | 31,654,274 | 25.92 | |
| Saxo Bank A/S | 19,376,266 | 15.87 | NOM |
| Citibank, N.A. | 12,250,670 | 10.03 | NOM |
| CIRCA GROUP AS | 6,471,380 | 5.30 | |
| DUNCAN | 5,480,000 | 4.49 | |
| LAWRENCE | 4,042,136 | 3.31 | |
| HAWKFISH AS | 2,482,043 | 2.03 | |
| J.P. Morgan SE | 2,182,489 | 1.79 | NOM |
| VERDIPAPIRFONDET FIRST GENERATOR | 2,112,567 | 1.73 | |
| Pershing LLC | 1,943,715 | 1.59 | NOM |
| Team America Pty Ltd | 1,773,340 | 1.45 | |
| NORDNET LIVSFORSIKRING AS | 1,651,181 | 1.35 | |
| Moata PTY LTD | 1,200,000 | 0.98 | |
| VERDIPAPIRFONDET DELPHI NORDIC | 1,082,540 | 0.89 | |
| KLAVENESS MARINE FINANCE AS | 1,026,479 | 0.84 | |
| MANIFEX PTY LTD | 999,000 | 0.82 | |
| State Street Bank and Trust Comp | 888,660 | 0.73 | NOM |
| JOMANI AS | 743,617 | 0.61 | |
| SVANDAL | 650,000 | 0.53 | |
| OSLO & FOLLO BYGGTJENESTER AS | 613,000 | 0.50 | |
| Other shareholders | 23,489,752 | 19.24 | |
| Total | 122,113,109 | 100.00 | |

The data is extracted from VPS 15 August 2023.

In the Euronext VPS registry, Circa Group AS is registered as the holder of 6 471 380 shares, of which 333 340 shares are owned and held in treasury by Circa Group AS. The remaining 6 138 040 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

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

9. Related parties

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



10. Subsequent events after the balance sheet date

No events have occurred after the balance sheet date.