

Third 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 bio-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 with 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 2023

Q3 2023 Highlights

FC5

The FC5 team in Tasmania continue to increase outputs, providing new and important learnings which will be incorporated into ReSolute™ operating procedures. R&D activities include new online measurement systems and work to optimise production processes across the plant.

ReSolute™

Initial positive findings were received for the Construction Permit this quarter from the authorities. This was followed by further feedback on the Environmental Permit in line with the permitting process.

Capital equipment and construction contracts are well advanced with a growing inventory of equipment at suppliers ready for shipment to the St Avold site. Additional staff have also been added providing increasing expertise on site in key engineering and administration areas.

Market

Market development continues, supported by Circa's VP Product Development Dr Alessandro Napoli, and the increasing expertise at Circa Renewable Chemicals Institute (CRCI) in York, and elsewhere, the focus on market led developments continue. The project on developing a CO₂ capture solvent continues, with discussions in Australia with a globally leading research organisation to support next stage trials.

In parallel, discussions with key distributors to firm up agreements on Cyrene™ and LGO continue to move in the right direction, with further positive announcement expected in Q4 2023. At the same time a number of projects have been stopped following a review on the timeliness / impact these projects have on Circa's market focus.

People & Organisation

Dr Alessandro Napoli joined Circa Group on 1 September 2023 as VP Product Development. Joining the Circa leadership team, Alessandro's responsibilities include development of LGO 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.

Strategy

The Company has initiated 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 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.

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 Q3 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 third quarter. This has no cash-effect. Other employee expenses are in accordance with plan.

Balance sheet

30 September 2023 Circa had cash and cash equivalents of EUR 15.0 million, total assets of EUR 36.0 million and equity of EUR 31.9 million.

Expenses capitalized 30 September 2023 is EUR 25.1 million, with EUR 7.4 million capitalized in the third quarter. Refer to note 7 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 premises in France and capitalized expenses for ReSolute™.

Net cash flow from operating activities was EUR -4.9 million in the third quarter. Net cash flow from investment activities of EUR -7.6 million is related to ReSolute™. This is in accordance with plan.

Outlook

Market

As indicated above, markets for Circa products remain firm and positive. While there remains considerable uncertainty in global markets, our belief in the trends that support Circa remains unequivocal. Our market opportunities grow with support shown from both our distributors and direct business connections.

ReSolute™

We have previously indicated the pressure from inflation and the continuing efforts within Circa to push back and look for alternative opportunities. This continues.

Circa and GazelEnergie are finalising a wide-ranging agreement which relates not only to the site agreement but also the long-term supply of utilities and services, plus an O&M contract. This has been a complex negotiation, and we are grateful for the support and goodwill from GazelEnergie regarding our development on the Émile Huchet site.

FC6

Circa and Thailand's National Power Supply Public Company Limited (NPS) have signed a Memorandum of Understanding (MoU) for the evaluation of sites for Circa's next stage FC6 plant. FC6 will produce approximately 12,000 tonnes of green solvent Cyrene™ and platform chemical levoglucosenone (LGO). NPS is a Thai producer and leader in renewable energy and has sites in France in Alizay and in Thailand. Both of these sites would be suitable for Circa's future FC6 plant as both sites have large-scale biomass-to-energy plants on site as well as access to biomass feedstock and other utilities.

Alizay in France is the site of NPS's BEA (Biomasse Energie d' Alizay) power plant. The 304 Industrial Park in Prachinburi, Thailand, is home to NPS associate Double A group, a global pulp and paper and renewables company.

R&D

As indicated above, the appointment of Dr Alessandro Napoli resulted in considerable work being undertaken to ensure that R&D activities are directly related to medium term opportunities – whether support for distributors and customers or valorisation of the ReSolute™ and FC6 processes.

People & organisation

Circa Group announced that current CEO Tony Duncan continues as CEO into 2024. Dr Steve Döring, the designated candidate for the position of Chief Executive Officer, who was due to take office on 1 November 2023, has made the difficult decision not to assume the role due to personal reasons. Circa's Board of Directors respects Steve Döring's decision and is grateful to count on Tony Duncan, the current Chief Executive Officer, to continue to lead the company as it focuses on the realisation of the ReSolute™ project.

Oslo, 8 November 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	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Product sales		3	15	48	55
Other revenue	6	212	8	939	274
Total revenue		215	23	987	329
Cost of sales		-123	-108	-266	-221
Depreciation		-3	-3	-9	-10
Employee benefit expenses	5	-1 032	-642	-2 724	-1 963
Other operating expenses		-853	-762	-2 310	-2 727
Total operating expenses		-2 011	-1 515	-5 309	-4 921
Operating result		-1 796	-1 492	-4 322	-4 592
Interest income		166	12	435	29
Other financial income		27	1	72	613
Total finance income		193	13	507	642
Interest expenses		-1	-13	-1	-96
Other financial expenses		-9	-105	-443	-611
Total finance expenses		-10	-118	-444	-707
Net financial income / expenses		183	-105	63	-65
Net profit (loss) before tax		-1 612	-1 598	-4 259	-4 656
Tax expenses		0	2	10	22
Net profit (loss)		-1 612	-1 599	-4 269	-4 678
Basic earnings per share		-0,01	-0,01	-0,03	-0,04
Diluted earnings per share		-0,01	-0,01	-0,03	-0,04
Items that may be reclassified subsequently to income statement					
Foreign exchange gains (losses)		-13	38	149	19
Other comprehensive income (loss) for the period		-13	38	149	19
Total comprehensive profit (loss) for the period		-1 626	-1 560	-4 120	-4 659

Consolidated balance sheet

All amounts in EUR 1000

	Note	30.09.2023	30.09.2022	31.12.2022
Assets				
Intangible assets		23	32	29
Plant and equipment	6, 7	19 651	2 146	6 976
Right-of-use assets		44	19	12
Financial assets		31	0	0
Total non-current assets		19 748	2 197	7 016
Inventory		217	108	0
Short term receivables		1 048	749	1 279
Cash and cash equivalent	6	14 962	39 486	34 769
Total current assets		16 226	40 344	36 048
Total assets		35 974	42 541	43 064
Equity				
Issued and paid in equity		56 960	56 960	56 960
Treasury shares		-80	-80	-80
Retained earnings		-25 239	-19 674	-20 970
Other equity		269	-52	119
Total equity	8, 9, 11	31 909	37 154	36 029
Liabilities				
Share-based compensation payable	5	31	188	192
Other non-current liabilities		38	12	0
Total non-current liabilities		69	200	192
Employees and related		179	225	307
Trade and other payables		2 067	376	507
Public duties and related		-25	0	38
Other current liabilities	6	1 776	4 301	5 990
Total current liabilities		3 996	5 187	6 843
Total equity and liabilities		35 974	42 541	43 064

Oslo, 8 November 2023
The Board of Directors of Circa Group AS

Consolidated statement of changes in equity

All amounts in EUR 1000

	Note	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance 1 January 2023		11 912	45 048	-80	-20 851	36 029
Net profit (loss) for the period		0	0	0	-4 269	-4 269
Other comprehensive income		0	0	0	149	149
Balance 30 September 2023	8	11 912	45 048	-80	-24 971	31 909

	Note	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance 1 January 2022		11 871	45 018	-80	-15 067	41 742
Issuance	8	42	29	0	0	71
Net profit (loss) for the period		0	0	0	-4 678	-4 678
Other comprehensive income		0	0	0	19	19
Balance 30 September 2022	8	11 912	45 048	-80	-19 726	37 154

	Note	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance 1 January 2022		11 871	45 018	-80	-15 067	41 742
Issuance	8	42	29	0	0	71
Net profit (loss) for the period		0	0	0	-5 974	-5 974
Other comprehensive income		0	0	0	191	191
Balance 31 December 2022	8	11 912	45 048	-80	-20 851	36 029

Consolidated statement of cash flows

<i>All amounts in EUR 1000</i>	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Cash receipts from operating activities		-199	-44	-17	668
Cash payments from operating activities		-4 904	-1 999	-5 475	-5 881
Interest received		166	11	435	29
Interest paid		0	-13	-1	-96
Cash flows from operating activities		-4 937	-2 045	-5 058	-5 280
Payment for property, plant, equipment and intangible assets	6	-7 565	-468	-15 014	-953
Other cash items from investing activities		0	0	0	0
Cash flows from investing activities		-7 565	-468	-15 014	-953
Payment of principal portion of lease liabilities		-6	-19	-5	-19
Proceeds from issuance of share capital	12	0	70	0	71
Proceeds from Grants		0	1 216	93	1 216
Cash flows from financing activities		-6	1 267	88	1 268
Foreign currency effects on cash and cash equivalents		-13	56	177	29
Total change in cash and cash equivalents		-12 521	-1 190	-19 807	-4 936
Cash and cash equivalents at beginning of period	11	27 483	40 676	34 769	44 422
Cash at end of period	11	14 962	39 486	14 962	39 486
Reconciliation of cash flows from operating activities					
Net profit/loss before tax (less interest)		-1 778	-1 599	-4 693	-4 723
Change in working capital		-3 033	-180	1 569	-231
Depreciation		3	4	9	10
Cash receipts from other operating activities		-37	249	408	770
Cash payments from other operating activities		-92	-519	-2 351	-1 106
Net cash flows from operating activities		-4 937	-2 045	-5 058	-5 280

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	30.09.2023	30.09.2022	31.12.2022
AUD	0,60	0,68	0,66	0,61	0,66	0,64
GBP	1,16	1,17	1,17	1,16	1,13	1,13
NOK	11,40	10,06	10,10	11,25	10,58	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. Operating revenue

The group is working with the ReSolute™ project in France to build a plant in Eastern France. Estimated start-up is in 2024. Hence, no revenue from ReSolute™ is recognized in 2023.

<i>All amounts in EUR 1000</i>	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Sales	3	15	48	55
Government Research & Development tax income	0	-99	7	-99
Other grant income	212	108	932	373
Revenue	215	23	987	329
Geographical segments				
Norway	84	45	247	188
France	128	12	681	119
United Kingdom	3	50	13	50
Australia	1	-83	47	-29
Revenue	215	23	987	329

5. 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 3 500 000 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.

6. 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.

7. Plant and equipment

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

All amounts in EUR 1000

	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	7 703
Transactions during period	6 511	216	6 727	-2	6 725
Balance 30 June 2023	17 677	-3 257	14 420	8	14 428
Transactions during period	7 417	-2 194	5 223	0	5 223
Balance 30 September 2023	25 094	-5 451	19 643	8	19 651

All amounts in EUR 1000

	Capitalized expenses	Grant received*	Total ReSolute	Net other PPE	Total plant & equipment
Balance 31 December 2021	2 217	-1 061	1 156	89	1 245
Transactions during period	619	-17	602	-6	596
Balance 31 March 2022	2 836	-1 079	1 758	83	1 841
Transactions during period	321	-466	-145	0	-144
Balance 30 June 2022	3 157	-1 544	1 613	83	1 696
Transactions during period	763	-287	476	-7	469
Balance 30 September 2022	3 921	-1 831	2 089	76	2 166

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

8. Principal shareholders

Shareholder	Number of shares	Owner ship %	Account type
Norske Skog ASA	31,654,274	25.92	
Saxo Bank A/S	17,252,794	14.13	NOM
Citibank, N.A.	14,183,307	11.61	NOM
Circa Group AS	6,471,380	5.30	
Anthony James Duncan	5,480,000	4.49	
Christopher Howard Lawrence	4,042,136	3.31	
Hawkfish AS	2,482,043	2.03	
J.P. Morgan SE	2,186,047	1.79	NOM
Verdipapirfondet First Generator	2,112,567	1.73	
Team America Pty Ltd	1,773,340	1.45	
Nordnet Livsforsikring AS	1,755,030	1.44	
Pershing LLC	1,313,846	1.08	NOM
Moata Pty Ltd	1,200,000	0.98	
Klaveness Marine Finance AS	1,026,479	0.84	
Manifex Pty Ltd	999,000	0.82	
State Street Bank and Trust Comp	878,449	0.72	NOM
Verdipapirfondet Delphi Nordic	769,621	0.63	
Jomani AS	690,000	0.57	
Magne Simon Svandal	650,000	0.53	
Interactive Brokers LLC	630,440	0.52	NOM
Other shareholders	24,562,356	20.11	
Total	122,113,109	100.00	

The data is extracted from VPS 6 November 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.

9. 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.

10. 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.

11. Subsequent events after the balance sheet date

Circa Group announced that current CEO Tony Duncan continues as CEO into 2024. Dr Steve Döring, the designated candidate for the position of Chief Executive Officer, who was due to take office on 1 November 2023, has made the difficult decision not to assume the role due to personal reasons. Circa's Board of Directors respects Steve Döring's decision and is grateful to count on Tony Duncan, the current Chief Executive Officer, to continue to lead the company as it focuses on the realisation of the ReSolute™ project.

Circa and Thailand's National Power Supply Public Company Limited (NPS) have signed a Memorandum of Understanding (MoU) for the evaluation of sites for Circa's next stage FC6 plant.