

Fourth 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 Fourth Quarter of 2023

Q4 2023 Highlights

FC5

The FC5 team in Tasmania continues to increase outputs, providing new and important learnings which will be incorporated into ReSolute™ operating procedures, and is answering to an increased market interest and demand.

In Q4 23, the plant successfully passed a quality audit from a pharmaceutical company. The audit findings will help FC5 to further strengthen its processes.

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.

The effort to obtain the environmental permit progresses in line with the needed permitting process. The cooperation with the permitting authority DREAL is close and commences with mutual understanding and support for the set time schedule. The public inquiry is foreseen to start in the second quarter 2024.

Capital equipment and construction contracts are well advanced with a growing inventory of equipment at suppliers ready for shipment to the Émile Huchet site, as well as a significant portion of the deliveries already delivered to site. Additional staff have also been added providing increasing expertise on site in key engineering and administration areas, including HSE.

FC6

Circa has signed two Memorandums of Understanding (MoU) for evaluation of future sites for Circa's next stage plants. The plant would manufacture platform chemical levoglucosenone (LGO), biochar and bio-based solvent Cyrene™ from sustainable biomass feedstocks.

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

Circa and Vataset Teollisuus Oy and Kemijarvi Biorefinery Ltd. signed a MoU to evaluate the establishment of a Circa Furacell™ production facility on the planned Kemijarvi Biopark in Northern Finland. Vataset is developing the Kemijarvi site as a comprehensive biopark for renewable materials, fuel and chemicals based on circular economy principles and strong environmental values. Kemijarvi Biorefinery specialises in biomass processing and the companies are seeking partners to effectively utilise all side streams.

Formerly the site of a Stora Enso pulp mill in Northern Finland, the area has a long industrial history with the pulp and paper sector and is close to the natural resources needed to supply a large and sustainable industrial biopark development, and the necessary permits are all in place.

Other possible locations in France are also under evaluation.

Market

Market development continues. Product development activities have been focusing on customer technical support to accelerate adoption of Circa's products in high value applications. It is particularly important with distributors to engage with the right customers and applications where Cyrene™ can deliver them differentiated performance compared to existing materials.

R&D

The appointment of Dr Alessandro Napoli has 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 side streams. These efforts are supported by the expertise of the Circa Renewable Chemicals Institute (CRCI) in York, providing interesting developments in Cyrene™ applications.

People & organisation

Circa Group announced the appointment of Bertel Karlstedt as the company's next Chief Executive Officer (CEO), effective 1 January 2024. Bertel joins Circa from Valmet Technologies Oy, a leading technology company and Circa's industrial partner for the Furacell™ technology and the ReSolute™ project. This experience gives Bertel a unique head start and understanding of ReSolute™ and Circa's longer-term strategic vision.

Bertel Karlstedt succeeds Tony Duncan, the Co-founder of Circa who has served as CEO since 2006. Under Tony's leadership, Circa has developed from an innovative Australian patented prototype company into a well-established, Euronext Growth listed, renewable chemicals company.

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 Q4 2023 proceeds in line with the expected quarterly run rate.

Income

Circa does not expect any significant sales revenue prior to start of production for the ReSolute™ plant in first half of 2025.

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

Balance sheet

31 December 2023 Circa had cash and cash equivalents of EUR 11.4 million, total assets of EUR 37 million and equity of EUR 30 million.

Expenses capitalized 31 December 2023 is EUR 28.8 million, with EUR 3.7 million capitalized in the fourth 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

In Q4 2023, Circa received the first and second payment from CASAS of EUR 0.4 million and the full grant from Region Grand Est of EUR 1.5 million. Of announced grants of EUR 20.3 million, EUR 10.1 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 -1.6 million in the fourth quarter. Net cash flow from investment activities of EUR -3.7 million is related to ReSolute™. This is in accordance with plan.

Outlook

Market

The markets for Circa's products continue to be positive. Our green chemicals create lots of interest, and we see increase inquiries and requests for volumes. We continue to work closely with our key partners for secured distribution and off-take agreements.

ReSolute™

The efforts locally with the communities and regionally with the authorities will continue in order to ensure the required progress during the springtime.

The cooperation with GazelEnergie at the Émile Huchet site is good with an open and supportive attitude. Circa will further increase its manpower at site for the construction and commissioning phase.

FC6

The future steps after ReSolute™ are still based on a modular design with a module production capacity of 12000 tonne/a green solvent Cyrene™ and platform chemical levoglucosenone (LGO).

The medium-term plans for an FC6 unit are being further discussed, now with multiple site candidates. Alternative sites in various regions of France are being considered. The Thailand's National Power Supply Public Company Limited (NPS) site is still under investigation. The Kemijärvi Biopark in Finland is intended to have both pulp and biochemical production. A Circa unit is being investigated for fit into the overall plan, and potentially a role in the park's plan to be CO₂ neutral.

R&D

The main focus of the R&D activities is now to pinpoint the focus of our short-term applications development and launch. It is a close cooperation between the Circa R&D (market driven) and the CRCI activity is York (science and research oriented). Valorization of our offering is key in attracting interest and off-take commitments for future ReSolute™ and FC6 products and volumes.

LGO derivatives activities remain an important part of the longer-term innovation strategy for Circa and we observe increased interest from R&D partners in different industries.

People & Organization

The onboarding of the new CEO continues, with visits to own units, key customers and other stakeholders. As Circa is transforming into a company producing at scale it will revisit its commercialization set-up during coming months. The effort will include strategy, focus and resource. Short-term the organization's main focus is on the Resolute™ project.

Financing of current capital requirements

As noted in the Company's stock exchange notice on 17 August 2023, the Company has had discussions with industrial, strategic and financial partners with the aim of enhancing the longer-term liquidity of the Company. In order to secure the liquidity required for the Company's current business plan, the Company is now providing an update on the capital need and its intention to engage in broader discussions with the aim of securing additional financing during H1 2024.

To adhere to the current business plan on the planned timeline, the Company requires approximately EUR 40 million in new capital to cover the remaining capex and opex related to the construction and commissioning of the ReSolute™ plant in North-East France. Capex is estimated to approximately 70% and opex is estimated to account for the remaining 30%. A majority of the costs will be incurred based on already signed contracts. For remaining project purchases the market has shifted in favour of the Company since the last capex and opex update. Further, current estimates include sufficient contingencies for key items.

Subject to securing the required financing, Circa expects to have sufficient funding to finance start of production at ReSolute™ and be able to achieve production at ReSolute™ with a positive EBITDA contribution on a stand-alone basis. As previously communicated, the Company has in place agreements with customers which have already tested products from its FC5 facility, and the Company plan that production at ReSolute™ will take the Company to a stage with proven production of high-quality products at a relevant industrial scale, which is expected to further support securing commercial agreements and financing of future plants.

If the planned production is reached with a positive EBITDA contribution, the Company will have increased flexibility to move ahead at its own pace into the next phase of scaling. The company will have proven unit economics for larger plants expected to be profitable on a stand-alone basis.

As part of the ongoing process to secure financing, the Company is pleased to report that Finnvera, the official export credit agency of Finland, has indicated that it will provide a loan of EUR 20 million, subject to the Company providing a satisfactory third-party guarantee. If the Company obtains such a guarantee, approximately half of the currently required financing will be covered.

The Company is considering whether to launch a process to raise the remaining capital required to fulfil the current business plan through a share issue. The timing, structure and size of any such share issue is subject to, inter alia, prevailing market conditions and required corporate resolutions. However, to continue the current business plan as is, the Company needs to obtain additional capital during first half of 2024. More information about the potential share issue will be published in due course and no assurance can be given that the Company will carry out any share issue.

Oslo, 14 February 2024
The Board of Directors of Circa Group AS

Interim financial statements

Consolidated income statement and statement of comprehensive income

<i>All amounts in EUR 1000</i>	Note	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Product sales		18	3	67	58
Other revenue	6	674	853	1 613	1 127
Total revenue		692	856	1 680	1 185
Cost of sales		-68	-157	-333	-378
Depreciation		-3	-3	-13	-13
Employee benefit expenses	5	-1 187	-907	-3 911	-2 870
Other operating expenses		-1 247	-1 168	-3 557	-3 895
Total operating expenses		-2 505	-2 235	-7 814	-7 156
Operating result		-1 813	-1 379	-6 134	-5 971
Interest income		92	92	527	121
Other financial income		139	104	211	717
Total finance income		231	196	738	838
Interest expenses		-1	0	-3	-96
Other financial expenses		-9	-112	-451	-723
Total finance expenses		-10	-112	-454	-819
Net financial income / expenses		221	84	284	19
Net profit (loss) before tax		-1 591	-1 296	-5 851	-5 953
Tax expenses		-34	0	-23	22
Net profit (loss)		-1 558	-1 296	-5 827	-5 974
Basic earnings per share		-0,01	-0,01	-0,05	-0,05
Diluted earnings per share		-0,01	-0,01	-0,05	-0,05
Items that may be reclassified subsequently to income statement					
Foreign exchange gains (losses)		-141	172	8	191
Other comprehensive income (loss) for the period		-141	172	8	191
Total comprehensive profit (loss) for the period		-1 700	-1 123	-5 819	-5 783

Consolidated balance sheet

All amounts in EUR 1000

	Note	31.12.2023	31.12.2022
Assets			
Intangible assets		21	29
Plant and equipment	6, 7	23 257	6 976
Right-of-use assets		37	12
Financial assets		31	0
Total non-current assets		23 347	7 016
Inventory		77	0
Short term receivables		2 144	1 279
Cash and cash equivalent	6	11 386	34 769
Total current assets		13 606	36 048
Total assets		36 953	43 064
Equity			
Issued and paid in equity		56 960	56 960
Treasury shares		-80	-80
Retained earnings		-26 946	-20 970
Other equity		128	119
Total equity	8, 9, 11	30 061	36 029
Liabilities			
Deferred tax		56	0
Share-based compensation payable	5	23	192
Other non-current liabilities		12	0
Total non-current liabilities		90	192
Employees and related		412	307
Trade and other payables		2 981	507
Public duties and related		18	38
Other current liabilities	6	3 390	5 990
Total current liabilities		6 801	6 843
Total equity and liabilities		36 953	43 064

Oslo, 14 February 2024
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	-5 827	-5 827
Other comprehensive income		0	0	0	8	8
Effects from previous periods		0	0	0	-149	-149
Balance 31 December 2023	8	11 912	45 048	-80	-26 819	30 061

	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	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Cash receipts from operating activities		-989	-510	-972	321
Cash payments from operating activities		-653	-2 215	-6 128	-8 055
Interest received		92	92	527	121
Interest paid		-2	0	-3	-96
Cash flows from operating activities		-1 552	-2 633	-6 576	-7 709
Payment for property, plant, equipment and intangible assets	6	-3 741	-4 826	-18 755	-5 804
Other cash items from investing activities		0	0	0	0
Cash flows from investing activities		-3 741	-4 826	-18 755	-5 804
Payment of principal portion of lease liabilities		10	91	15	-12
Proceeds from issuance of share capital	12	0	0	0	71
Proceeds from Grants		1 900	2 403	1 993	3 619
Cash flows from financing activities		1 910	2 494	2 008	3 678
Foreign currency effects on cash and cash equivalents		-193	249	-60	182
Total change in cash and cash equivalents		-3 576	-4 717	-23 383	-9 653
Cash and cash equivalents at beginning of period	11	14 962	39 486	34 769	44 422
Cash at end of period	11	11 386	34 769	11 386	34 769
Reconciliation of cash flows from operating activities					
Net profit/loss before tax (less interest)		-1 682	-1 255	-6 375	-5 978
Change in working capital		897	233	2 466	2
Depreciation		4	3	13	13
Cash receipts from other operating activities		-848	-624	-440	146
Cash payments from other operating activities		77	-990	-2 240	-1 892
Net cash flows from operating activities		-1 552	-2 633	-6 576	-7 709

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	31.12.2023	31.12.2022
AUD	0,60	0,66	0,61	0,64
GBP	1,15	1,17	1,15	1,13
NOK	11,65	10,10	11,24	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 of production is Q2 2025. Hence, no revenue from ReSolute™ is recognized in 2023.

<i>All amounts in EUR 1000</i>	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Sales	18	3	67	58
Government Research & Development tax income	523	94	530	-6
Other grant income	150	760	1 082	1 132
Revenue	692	856	1 679	1 185
Geographical segments				
Norway	86	135	333	323
France	65	6	746	125
United Kingdom	-2	1	11	51
Australia	542	715	589	686
Revenue	692	856	1 679	1 185

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 31 December 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 payments for the Horizon 2020 Flagship grant, the Coal Fund, BPI France (“France Relance” grant), CASAS and Region Grand Est 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
Transactions during period	3 728	-134	3 594	13	3 607
Balance 31 December 2023	28 822	-5 585	23 237	21	23 258

<i>All amounts in EUR 1000</i>	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
Transactions during period	6 149	-1 275	4 875	-65	4 810
Balance 31 December 2022	10 070	-3 106	6 964	11	6 976

* Grant offsetting includes grants received from Horizon 2020, and from France Relance, Coal Fund, CASAS and Region Grand Est. The grants fund 47.87%, 10-50%, 3%, 100% and 10% 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	17,110,550	14.01	NOM
Citibank, N.A.	14,269,987	11.69	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	2,117,350	1.73	NOM
Verdipapirfondet First Generator	2,112,567	1.73	
Nordnet Livsforsikring AS	2,050,907	1.68	
Team America Pty Ltd	1,773,340	1.45	
Moata Pty Ltd	1,200,000	0.98	
Pershing LLC	1,059,370	0.87	NOM
Klaveness Marine Finance AS	1,026,479	0.84	
Manifex Pty Ltd	999,000	0.82	
Jomani AS	703,212	0.58	
Magne Simon Svandal	650,000	0.53	
Interactive Brokers LLC	630,440	0.52	NOM
Carun Holding AS	626,177	0.51	
Oslo & Follo Byggtjenester AS	613,100	0.50	
Other shareholders	25,040,797	20.51	
Total	122,113,109	100.00	

The data is extracted from VPS 12 February 2024.

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.

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

In order to secure the liquidity required for the company's current business plan, Circa is now providing an update on the capital need and its intention to engage in broader discussions with the aim of securing additional financing during H1 2024.

To adhere to the current business plan on the planned timeline, the Company requires approximately EUR 40 million in new capital to cover the remaining capex and opex related to the construction and commissioning of the ReSolute™ plant in North-East France.