CO2 CAPSOL

Annual Report 2022

About CO2 Capsol

CO2 Capsol is a carbon capture technology provider with the goal to accelerate the transition to a carbon-negative future. The company's energy efficient, cost-competitive, and environmentally friendly solution is licensed out either directly to customers or through industrial partners globally. Key target segments include cement, biomass, energy-from-waste (EfW), power generation and large industrial plants. CO2 Capsol is listed on Euronext Growth Oslo, Norway (ticker: CAPSL).

Main highlights

CO2 Capsol was awarded a technology licensing agreement for the Stockholm Exergi BEECS (Bioenergy Carbon Capture and Storage) project in July 2022. This will be Europe's first large-scale carbon capture plant with negative CO_2 emissions.

CO2 Capsol ordered two CapsolGo® demonstration units and secured two contracts: one for a CapsolGo® campaign in Sweden and two 6-month CapsolGo® campaigns in Germany starting Q1 2023.

CO2 Capsol signed an agreement with DNB to provide the company's first loan, with green financing of the CapsolGo® units.

The company strengthened the organisation with several key employees with extensive experience, including a Chief Technology Officer, a Chief Product Officer, and an Innovation Manager, to make sure CO2 Capsol stays at the forefront of carbon capture technologies.

The company entered new partnership agreements, including with Hitachi Zosen Inova, WOIMA, Eickmeyer & Associates, and Sumitomo SHI FW.

By the end of 2022 all the main building blocks were in place to grow the Company to become a global leader within the CCS industry.

Key figures

(NOK million)	2022	2021
Total operating income	10.8	0.1
Pre-tax profit	(34.4)	(25.3)
Net cash flow from operating activities	(33.4)	(15)
Net cash flow from investing activities	(22.1)	(3)
Net cash flow from financing activities	32	102.4
Cash and cash equivalents at the end of the period	61.4	84.9

Long-term value capture

Reducing CO_2 emissions to reach net-zero emissions in 2050 is a massive challenge for almost all industries. For CO2 Capsol this represents an equally large opportunity.

The listing on Euronext Growth and equity issue in December 2021 was important steppingstones towards our goal of creating a global leading carbon capture technology company.

During 2022, we continued to lay the foundation for future growth by strengthening our organisational capabilities across all areas, entering strategic partnerships, building the first CapsolGo® demonstration units and signing a license agreement for Europe's first large-scale negative emissions plant.

Despite yet another year with record-breaking temperatures and extreme weather events, encouraging developments and a clear pathway of climate hope emerged.

The Inflation Reduction Act (IRA), backed by USD 369 billion in climate spending, is the US' most aggressive piece of climate legislation ever, making it easier to deploy renewable energy and build out green technologies. For carbon capture, the tax refund increased from 50 to 85 USD per tonnes CO_2 and experts predict the law will eliminate 4 billion tonnes of greenhouse gas emissions.

EU's 27 members reached a historic deal to set up the Carbon Border Adjustment Mechanism, an emissions levy on some imports that's meant to protect Europe's carbon-intensive industries that are forced to comply with the region's increasingly strict rules. In addition, EU has launched its Green Deal Industrial Plan, which will propose simple tax-break models and targeted aid for production facilities in strategic clean-tech value chains, including carbon capture and storage (CCS).

In 2022 a common understanding was established that every industry has a component called carbon capture which they need to deal with in the future.

Value chain partners

Bioenergy with carbon capture and storage (BECCS), Energy-from-Waste (EfW) and cement plants stands out as the most mature industries with regards to carbon capture in Europe. However, we expect other industries to be fast followers.

Within EfW we have signed an MoU (Memorandum of Understanding) with Hitachi Zosen Inova to collaborate on initiatives to implement our technology. In addition, we entered a cooperation agreement with WOIMA for the development and supply of small-scale modular carbon capture solutions. At the end of 2022, we announced an agreement with Sumitomo SHI FW – a company with 1 800 employees across 20 locations – to develop and deliver standardised carbon capture plants for EfW and biomass-fuelled combined heat and power plants.

With the IRA the North American market presents itself as a key market for Capsol to penetrate in 2023, and we have already established a pipeline of opportunities in this region. In addition, we have seen increased interest from a number of industries with large CO_2 emissions from outside Europe.

Our partnerships are focused on different parts of the value chain. Through US-based Eickmeyer & Associates, we're increasing the capacity to serve a bigger global client base. Eickmeyer provides process design and engineering services utilising hot potassium carbonate (HPC) under the CATACARB® brand. Eickmeyer has hands-on experience from more than a hundred CO_2 removal plants.

Demonstration campaigns

Due to the strong interest from different industries to test CO2 Capsol's environmentally friendly and energy-efficient end-of-pipe (EoP) technology, we made the final investment decision for the first CapsolGo® demonstration unit in January 2022.

In March 2022 Öresundkraft signed a rental contract for a demonstration campaign at their EfW Combined Heat and Power (CHP) plant Filbornaverket in Helsingborg, Sweden, with a full-scale capture capacity of 210 000 tonnes of CO_2 per year.

Due to strong demand in the European market, the Company decided to invest in a second CapsolGo® unit, which will be used for two 6-month demonstration campaigns in Germany – one at an EfW and one at a biomass-fired CHP plant.

From a funding perspective, we were pleased to qualify under the DNB Sustainable Product Framework, securing CO2 Capsol's first debt financing through "green loans" for the CapsolGo® units.

First large-scale plant

The most significant event of 2022 took place when we signed a patent license agreement with Stockholm Exergi – a BECCS project that has already been recognised by the EU Innovation Fund, supporting the project with EUR 180 million. We look forward to contributing to this important project, which not only will capture 800 000 tonnes of CO_2 per year but also has the potential of being a catalyst to accelerate the development of the carbon capture and storage value chain across Northern Europe.

I am very proud that we are making good progress in our efforts to build the organisation and make commercial progress. It is also pleasing to see that we continue to have access to a great pool of talents, from home and abroad, who want to be part of our team.

Capture capacity needs to grow by 30x

From a macro perspective, we must still expect to deal with externalities including inflation and supply chain disruptions. Simultaneously, it is with great enthusiasm we note that the global market for CO_2 capture is booming – despite macroeconomic turmoil.

IEA states that the carbon capture capacity needs to grow 30 times over the next seven years to reach net zero emissions by 2050.

The supportive governmental measures and companies' need to overcome the CO_2 challenge also shows itself directly in Capsol's activity level. It is becoming a positive challenge to decide which opportunities to pursue.

2023 will be a very interesting year for the company, where we will focus on strengthening the organisation further, actively use CapsolGo® to verify our technology with the customer's flue gas and reduce uncertainties before a full-scale plant, secure key partnerships and win more projects.

We are on track to position ourselves as a global leading capture technology company. Our 5% technology licensing market share target for 2030 is realistic due to the low energy consumption and capture cost of our technology.

Jan Kielland, CEO of CO2 Capsol

A rapidly growing market for carbon capture

Carbon capture is a technology that enables industrial facilities to remove CO_2 from the flue gas of industrial processes. The carbon capture market is still in its early days but is expected to grow rapidly driven by the world's need to limit emissions of greenhouse gases and avoid continuing global warming and irreversible climate change.

To be on track for net zero in 2050, carbon capture capacity needs to grow by 50% annually to 1.2 billion tonnes per year in 2030 according to the International Energy Agency's (IEA) Net Zero Emissions scenario. By 2050, the capacity will need to reach 6.1 billion tonnes of captured CO_2 per year.

Key market drivers include increasing costs of CO_2 emissions driven by regulations, including carbon tax, as well as government subsidies, making it more ecnomically viable to capture CO_2. In addition, the development of a robust carbon capture value chain (Carbon Capture Utilisation and Storage – CCUS) to facilitate capacity growth, and industrial scaling that reduces cost through standardisation, and economies of scale are being further developed.

Today, power plants and industrial facilities account for more than 60% of global CO_2 emissions. Emitters are actively seeking carbon capture solutions driven not only by regulatory pressure but increasingly for commercial reasons.

CO2 Capsol's business model is to license out its carbon capture technologies, which can be applied to all CO_2-intensive industries globally. Based on commercial terms currently being negotiated, the investments required by IEA's path to Net Zero Emissions by 2050 and CO2 Capsol's license model translates to EUR 21 billions of gross revenue from technology licensing during 2023-2030.

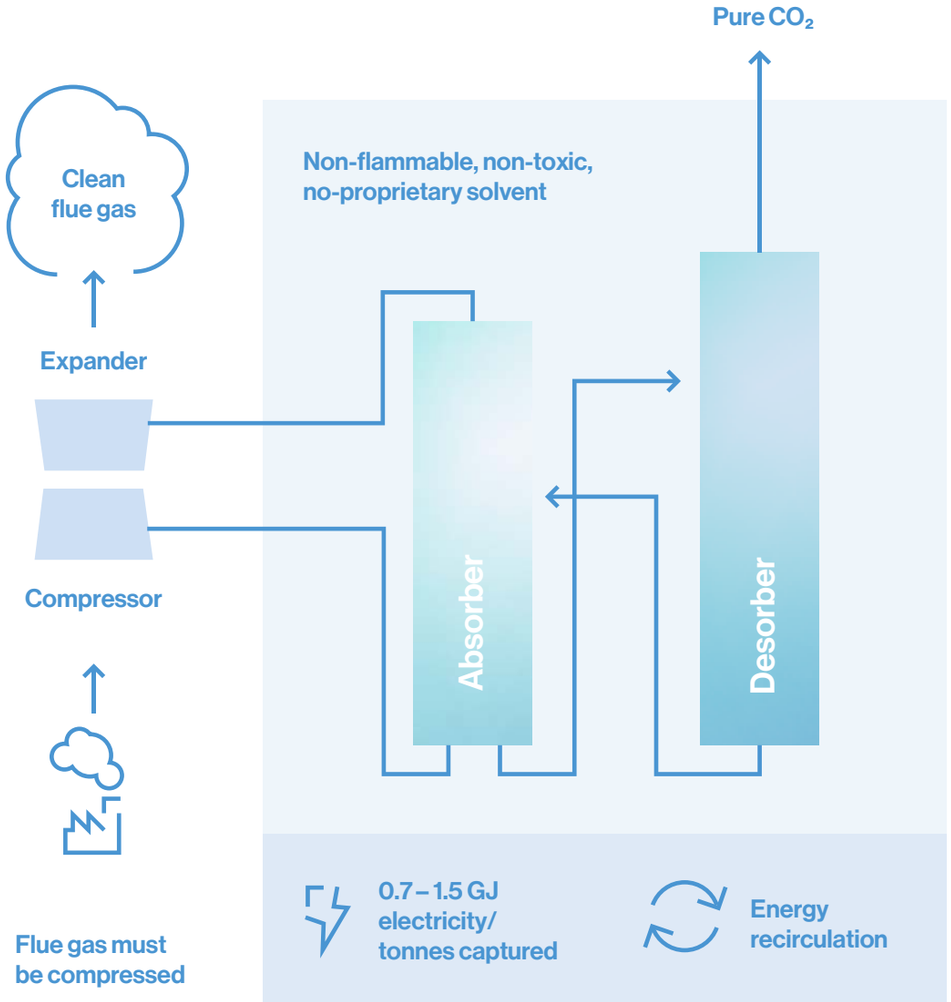
By year-end 2022, CO2 Capsol experienced an increasing global interest for its solutions with ~100 active leads totaling more than 25 million tonnes of CO_2 per year.

Technologies and solutions

More than NOK 500 million have been invested over two decades in developing CO2 Capsol's proven carbon capture technologies. As an early mover in the emerging carbon capture market, CO2 Capsol is currently one of only a few companies globally that has commercialised a viable solution. Additionally, the solution is safe and cost-effective, and therefore considered highly competitive.

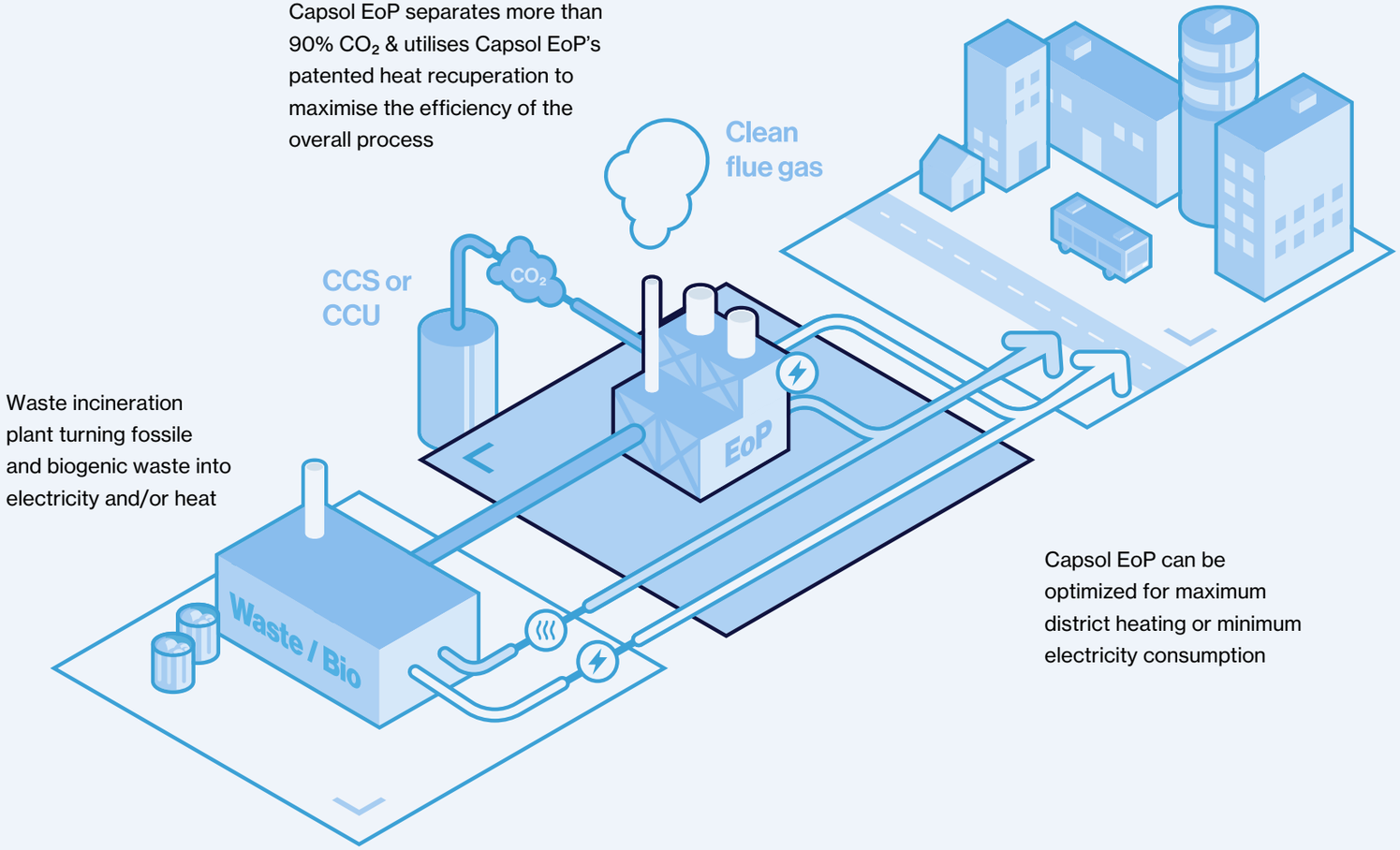
CO2 Capsol's solution has been validated through three successful pilots and ongoing demonstration campaigns. In 2022 the company was awarded a technology licencing agreement for what will be Europe's first large-scale carbon capture plant with negative emissions. (negative emissions comes from capturing and storing of biogenic carbon dioxide).

CO2 Capsol's patented heat recuperation process is based on a potassium carbonate solvent and applicable to all CO_2-intensive industries. See figure to the right for simplified illustration of CO2 Capsol's carbon capture process and the carbon capture value chain exemplified with carbon capture from an Energy-from-Waste plant.



Significantly lower energy consumption due to patented re-circulation

Can be run on electricity only. No steam required. No modification needed.



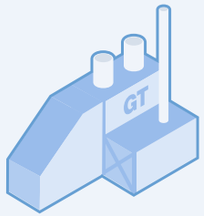
Potassium carbonate as a solvent has been used to capture carbon dioxide for many decades (pre-combustion) and is currently used in 750+ industrial plants globally, primarily in the chemical process industry. It is a robust, non-degradable, easily accessible solvent, and is field proven for medium to large scale processes.

CO2 Capsol's technologies maximise efficiency of the absorption/desorption process while the energy recirculation minimises energy consumption and hence the capture cost versus traditional amine-based solutions.

The capture unit itself is powered by electricity only. Hence, there is no need to invest in additional steam production (as required for traditional amin based solutions) to run the capture unit. However, Capsol's capture unit can use process steam from the host plant if available to further improve economics.

The development of CO2 Capsol's proprietary technology for post-combustion carbon dioxide capture started in 2003. The first successful tests of the technology were performed at the Värtan combined heat and power (CHP) plant in Stockholm, Sweden, in 2008, with a CO_2 capture efficiency of >98%.

To date, three successful pilots have been executed with 3 300+ operational hours, >99% uptime and 90-95% capture efficiency validating the technology.

	Capsol EoP™	Capsol GT®	CapsolGo®
			
Description	A full capture solution for CO_2 emitting industries	Solution for open cycle gas turbines 4-100+ MWe	Portable carbon capture demonstration unit with an all-inclusive package
Rationale	Offer an attractive solution for large-scale industrial CO_2 emitters	Offer an attractive solution for open-cycle gas turbine facilities with low CO_2 concentration	Accelerate investment decision for full-scale carbon capture plant
Capture rate	>90%	>95%	>90%
Target segments	Large-scale cement, biomass, energy-from-waste (EfW), power generation and large industrial facilities	Gas power plants	Demonstration projects for cement, biomass, energy-from-waste (EfW), power generation and large industrial facilities
Contracts won	First large-scale contract won in Sweden for a Bioenergy Carbon Capture and Storage (BECCS) project. Final Investment Decision (FID) expected early 2024.		First two units in operation in Sweden and Germany, for energy-from-waste and BECCS.

Key project

Stockholm Exergi

In July 2022, CO2 Capsol signed a license agreement for Europe’s first large-scale negative emissions plant with Stockholm Exergi

Stockholm Exergi provides power, district heating and cooling. The plant will make Stockholm the first carbon neutral capital of the world. The project is supported with EUR 180 million from the EU Innovation Fund

CO2 Capsol's technology was selected as the preferred solution due to highly competitive economics and ease of installation

Full-scale deployment of 800 000 tonnes of CO_2 per year

Management

Jan Kielland

Chief Executive Officer

>40 years' experience with management and board positions in the energy sector internationally. MSc in Petroleum Engineering from NTNU.

Ingar Bergh

Chief Financial Officer

>15 years' experience as advisor and executive in the energy and shipping sectors. Engineering degree, MSc in Supply Chain Management, MBA Finance, Authorized Financial Analyst (CEFA).

Johan Jungholm

Chief Commercial Officer

10 years' in Business Development, Complex Sales and Marketing and 15 years in energy sector. BA in Geology and Environmental Science, University of Pennsylvania.

Cato Christiansen

Chief Technology Officer

Former Shell, SPT Group and the Norwegian Ministry of Petroleum and Energy (Carbon Capture and Storage). PhD in Mechanical Engineering from NTNU.

Tone Bekkestad

Chief Marketing Officer

>20 years' experience in communications & media. Moderator and lecturer on the topic of solutions to climate change. MSc in Meteorology.

Philipp Staggat

Chief Product Officer

>10 years at Siemens, including lead commissioning engineer and project manager, before joining CO2 Capsol. BSc Engineering Berlin University of Applied Sciences and MBA London Business School.

Board of directors

Endre O. Sund

Chairman

>40 years of experience in management and board positions. Education from the Royal Navy Academy, Norwegian School of Management, and Harvard Business School.

Monika Inde Zsak

Extensive career within energy, renewables, sustainability. MSc in industrial engineering and finance from NTNU and University of New South Wales, Australia (UNSW).

Einar Chr. Lange

Largest investor in CO2 Capsol, with a long experience in shipping and private companies. Education in economics at the University of Cambridge, UK.

John Arne Ulvan

Extensive career as a top executive with strong results from national, international, and listed companies. M.Sc. in Chemistry/Chemical Engineering from NTNU.

Claes Nygren

>50 years of experience in engineering and leading management positions. MSc in mechanical engineering.

Wayne G. Thomson

Extensive international career as a top executive within oil and gas and Chairman of Svante Inc. B.Sc. in Mechanical Engineering from University of Manitoba.

Board of directors' report

Introduction

CO2 Capsol has developed and offers environmentally friendly, energy-efficient, and affordable carbon capture technologies to all CO_2-intensive industries utilising the safe and proven Hot Potassium Carbonate (HPC) solvent. The technology is licensed out, either directly or through partners, and is charged as an upfront fee, cost per tonne of CO_2 captured, or a combination of the two.

HPC as an absorption solvent for CO_2 is used in more than 750 industrial plants (pre-combustion) globally in multiple industries for more than 70 years. However, until recently, the use of HPC for post-combustion was discarded as a viable option due to the high energy demand and hence the cost required to pressurise the flue gas. To solve this, CO2 Capsol developed the CapsolEoP™ (end-of-pipe) technology – a standalone, retrofit unit, with a patented energy recirculation process, which offers low capture cost and the flexibility to monetise heat and electricity in the capture process.

The potassium carbonate solvent is environmentally safe, readily available and has a low purchase cost. The use of the potassium carbonate solvent poses no risk of emissions of any harmful substances.

During 2022 CO2 Capsol developed Capsol GT®, a carbon capture solution for open-cycle gas turbines capturing more than 95% of the carbon dioxide while enabling additional electricity generation. Capsol GT® has large potential for application in thousands of existing turbines globally.

CO2 Capsol technologies reduce cost and risk for our clients.

Strategy and development

CO2 Capsol aims to accelerate the world's transition to a carbon-negative future through providing energy-efficient and safe carbon capture technologies.

Towards 2030, CO2 Capsol estimates the market opportunity for carbon capture technology licensing to be EUR 21 billion based on sanctioned projects required to track the IEA's (International Energy Agency) path to net zero.

CO2 Capsol's 2030 ambition is to become a leading carbon capture technology company. The company has defined five long-term goals:

1. Make point source carbon capture accessible and viable for more emitters
2. Secure a top three position in target segments: cement, biomass, energy-from-waste and gas power plants
3. Achieve a licensing revenue of EUR 7-12 per tonne installed capacity
4. Achieve a pre-tax profit margin of 40-60%
5. Ensure presence in the largest geographical markets: Europe, North America, Southeast Asia, India, and the Middle East

During 2022 CO2 Capsol experienced a significant and growing inflow of opportunities. As the current market outlook points to accelerating activity levels in the coming years, the company will invest to increase its market reach, capacity, and scalability.

CO2 Capsol's current focus is on increasing access to opportunities and sales conversion efficiency towards 2025. With the aim of maximising growth and long-term value creation, the company has identified a number of strategic initiatives. The operationalisation and timing of these initiatives are continuously being evaluated based on commercial traction, priorities, and capacity to invest.

Highlights

A final investment decision for the construction of CO2 Capsol's first mobile carbon capture demonstration unit, CapsolGo®, was made in January 2022, followed by the first signed contract for a demonstration campaign at Öresundskraft's EfW (energy-from-waste) plant Filbornaverket in Helsingborg. The unit started operation in October 2022, proving that the technology is well-suited for EfW.

CapsolGo® is an easy and affordable way for customers to test CO2 Capsol's technology. Running a demonstration campaign on the customer's own flue gas and operation is the first step toward a full-scale carbon capture plant.

In February 2022, CO2 Capsol and Hitachi Zosen Inova (HZI) – a Swiss Japanese greentech company – announced a Memorandum of Understanding (MoU) to collaborate and develop a joint offering of solutions to accelerate the implementation of carbon capture solutions to the WtE (waste-to-energy) industry.

A patent licence agreement for the use of CO2 Capsol's EoP™ technology at Stockholm Exergi's biomass-powered Combined Heat and Power (CHP) plant Värtaverket in Stockholm, Sweden, was signed in July 2022. Värtaverket will be Europe's first large-scale negative emissions plant – capturing biogenic CO_2 – with a full-scale deployment of 800 000 tonnes CO_2 per year expected to be operational from 2026.

A 12-month contract for the delivery of two CapsolGo® units was signed in November 2022, one at an energy-from-waste (EfW) and one at a biomass-fired Combined Heat and Power (CHP) plant, both of a major German utility company.

CO2 Capsol increased its engineering capacity through a partnership with US-based Eickmeyer (CATACARB®), a company with experience from over 150 plants in 33 countries, in December 2022, helping to accelerate the deployment of CO2 Capsol's capture solutions.

In December of 2022, the company signed a cooperation agreement with Sumitomo SHI FW (SFW) to develop and deliver standardised carbon capture plants for EfW and biomass-fuelled combined heat and power (CHP) facilities based on Capsol's technology. SFW has a wide and strong foothold in the global energy, waste, and process industries.

Product development

CapsolGo® - small-scale carbon capture demonstration unit

CapsolGo® consists of two easily deployable shipping containers, stacked on top of each other. The only infrastructure required is electricity, compressed air, demineralised water, and flue gas. The captured CO_2 can be fed back to the flue gas stack, or it can be liquefied to demonstrate utilisation options.

CapsolGo® is provided with an all-inclusive package: transport, installation, de-installation, operation, and reporting by an independent party. CapsolGo® offers many advantages, including:

1. The opportunity to experience CO2 Capsol's energy-efficient technology to verify its effectiveness before investing in a full-scale plant.
2. Experience the safe and environmentally friendly carbon capture solvent potassium carbonate (HPC), including its many advantages, like lower capture and material costs, in addition to being widely available and no risk of harmful emissions. CapsolGo® is a powerful tool to demonstrate safe carbon capture to various stakeholders.
3. During a CapsolGo® campaign, the plant's specific flue gas and operation are tested to define an optimal solvent blend for the full-scale carbon capture plant.
4. Operation and maintenance teams can get familiar with Capsol's technology and prepare for the full-scale operation. The public, such as residents, can experience the environmentally friendly carbon capture solution live, in person.

With a capture capacity of several hundred tonnes of CO_2 per year, CapsolGo® enables maximum insights about the technology, while at the same time making it affordable, and with an independent test report, plant owners will be able to accelerate their decision processes towards the full-scale plant and enhance the quality of potential public funding applications.

CapsolGT® – integrated carbon capture for gas turbines

Building on the CapsolEoP™ technology, a highly effective solution for capturing CO_2 from gas turbines was developed in 2022. CapsolGT® is an extension of CO2 Capsol's technology platform.

CapsolGT® is a solution for open cycle gas turbines developed based on learning from ongoing projects and in collaboration with large international players. The technology is offering a carbon capture solution that generates additional electricity while capturing more than 95% of the CO_2 from exhaust gases of open cycle gas turbines.

CapsolGT® replaces the traditional steam cycle, reduces complexity, and introduces carbon capture as a revenue source, in addition to providing a wider selection of offerings to customers. The solution can be applied to a variety of applications, such as gas engines, diesel generators and other industrial facilities where hot waste heat streams could be utilised.

Organisation

CO2 Capsol's long-term organisational strategy is to be a center of excellence in the carbon capture space. The strategy offers a dynamic, flexible and innovative company culture built on ambitions, enthusiasm and innovation, in a honest and respectful way.

CO2 Capsol strengthened its capacity and recruited key personnel in 2022. At the end of 2022, CO2 Capsol had a total of 13 employees and two contractors. The strengthening of the organisation and recruitment of carbon capture specialists will continue in 2023.

CO2 Capsol is strongly committed to the principles of non-discrimination and equal opportunity, which are reflected in the organisation. 31% of the employees are women, women hold 20% of leadership roles and the workforce consists of six nationalities with a range of competencies.

The company has established Directors & Officers (D&O) Liability insurance for its Board of Directors and Officers. The company's main office and center of operations is in Oslo, Norway.

Market

To meet the target in the Paris Agreement of limiting warming to well below 2°C, CO_2 emissions need to decline rapidly, reaching net-zero emissions by 2050. If global carbon dioxide emissions remain significantly above zero, the world will continue to warm, with an increasing risk of irreversible climate change.

CO_2 emissions from fossil fuels and cement increased by 1% in 2022, hitting a new record high of 36.6 billion tonnes of CO_2 – illustrating that far from enough is being done to reduce and remove emissions.

According to the International Energy Agency (IEA) updated 'Net Zero by 2050' scenario, carbon capture must increase from 43 million tonnes of CO_2 per year in 2022 to 1.2 billion tonnes per year by 2030 to be on track. To reach the targets, carbon capture must increase further to 6.2 billion tonnes per year by 2050, which amounts to more than today's annual volume of global oil production. There is a growing consensus across policy, industry, and research that CCUS is essential to reach net zero by 2050. The IRA (Inflation Reduction Act) is described by many as a turning point for the green transition, with a total of USD 369 billion in tax refunds and investments in renewable energy and zero-emission technology. The IRA is the largest investment in combating climate change in US history and increases tax refunds from 50 to 85 USD per tonne CO_2 for carbon capture.

As a response to the IRA, the European Commission has proposed the Net-Zero Industry Act, as part of EU's Green Deal Industrial Plan, to strengthen the resilience and competitiveness of net-zero technologies manufacturing in the EU. The European Commission has proposed that oil companies should store 50 million tonnes of CO_2 on EU territory by 2030, to secure enough storage capacity for the development of CCS.

In addition, the EU Emissions Trading System (ETS), which puts a price tag on every tonne of CO_2 emitted from power plants, large industrial facilities and aviation in Europe has increased from an average of EUR 24.6 in 2020, to 52.5 in 2021, to 80.3 in 2022, with the highest price registered during 2022 on 19 August at EUR 98 per tonne of CO_2.

The IRA, the proposals from the European Commission and the rapidly increasing EU ETS price are all positive signals that will help industries move forward with CCS projects, opening several possibilities for carbon capture technology licensing agreements.

In 2022, the highest market activity for CO2 Capsol was in Scandinavia and northern Europe. With the passing of the IRA and approximately 50% of current projects under development in North America, the US market is presenting itself as an increasingly attractive market.

Industries or market segments identified as most mature with regards to carbon capture, especially in Europe, are Energy-from-Waste (Waste-to-Energy), biomass and cement, which are all industries that fit well with CO2 Capsol's technology platform. In other parts of the world power, chemical and bio-conversion industries have a high priority.

Capsol's technology stands out as a highly competitive carbon capture solution gaining and proving traction within the most mature industries for carbon capture including waste-to-energy, biomass, and cement.

Recent activities which demonstrate that CO2 Capsol is emerging as an attractive technology provider for CO_2 capture from Energy-from-Waste (EfW) plants include:

- In September 2022, a CapsolGo® carbon capture demonstration campaign was initiated at Öresundskraft´s EfW plant Filbornaverket in Helsingborg, Sweden.
- During Q1 2023, a 12-month CapsolGo® demonstration campaign for a major German energy company will start operating at an EfW plant and later at a biomass-fired combined heat and power plant.
- CO2 Capsol signed in December 2022 a Cooperation agreement with Sumitomo SHI FW for delivery of standardised carbon capture plants for EfW plants.
- CO2 Capsol is working with Sumitomo SHI FW and Woima to develop a carbon capture plant at Westenergy's EfW plant in Vaasa, Finland.

Sustainability

In 2022, CO2 Capsol performed the first materiality assessment surveying key stakeholders to help identify and prioritise the most material topics for Capsol.

More information on this, and the company's sustainability work can be found in the ESG Reporting chapter of the Annual Report.

The company's goal is to capture as much CO_2 as possible with its state-of-the-art carbon capture technologies, with the SDG 13 "Climate Action" Goal being a key part of the long-term strategic processes.

Corporate governance

Capsol is committed to create value for shareholders and stakeholders. CO2 Capsol's Code of Business Conduct and Ethics (the "Code") is the foundation and key governing document for the Company's business conduct and guides the behaviour to ensure that all employees and business partners act with the utmost care and absolute integrity.

The Code sets minimum standards for ethical behaviour, performance, and adherence to the company policies, ensuring that all employees conduct business sustainably in accordance with ethical standards, applicable laws, regulations, and good corporate governance in the countries where CO2 Capsol operates.

The Company's Code (available at https://www.co2capsol.com/investors) is read and signed by all employees.

Capsol will comply with the Euronext Growth Oslo Rule Book and the continuing obligations set out therein.

Risk management

The Board of Directors is responsible for ensuring that CO2 Capsol has sound internal control and systematic risk management that is appropriate in relation to the nature of the company's activities.

On an annual basis, a detailed review of the company's most important areas of exposure to risk is carried out to proactively mitigate the potential impact on the Company's business plans, financial results, financial standing, and operational performance.

Although risk is managed and mitigated systematically, the Company is operating in a global market which is influenced by CO_2 taxes, government subsidies, customer preferences and willingness to adapt to new technologies and solutions; the introduction of new technologies, products, and services by others; changes in regulation; and other market conditions, in addition to internal factors such as financial and operational risks.

For more details about CO2 Capsol's risk management and mitigating actions, please visit the ESG report.

Financial performance

CO2 Capsol AS audited unconsolidated financial statements as of and for the period 01.01.2022 to 31.12.2022 (full year 2022) have been prepared in accordance with NGAAP "Other companies" (Norwegian; "Øvrige foretak") and the Accounting Act.

The company is in an early phase of its commercial development, and as such, has limited recognised revenue. Furthermore, the company is in a rapid phase of organisational growth, so 2022 statements are not easily comparable to earlier annual statements. Unless otherwise specified, financial information is provided in Norwegian Kroner (NOK).

In the reporting period the company recognised 10 766 762 NOK in revenue, increasing from 37 950 NOK in 2021. Revenues generated by CapsolGo® demonstration services and from engineering studies. The direct cost (Cost of materials) associated with the delivery of services and studies was 2 618 417 NOK.

Total operating expense was 45 264 166 NOK with 25 626 841 NOK in salary cost, of which 8 468 508 NOK relates to cost recognition for expenses related to the company's employee share option program. The remaining operating cost is related depreciation of intangible assets, plant and equipment and the cost of technical and commercial services.

The accounts for 2022 show a net loss of 34 401 266 NOK, up from 25 253 778 NOK in 2021 due to an increase in operational activity reflecting a fast-growing market.

Total assets 31.12.2022 was 103 277 408 NOK. 61 412 023 NOK in cash, 6 476 912 NOK in intangible assets related to intellectual property and 24 803 826 in Property, plant and Equipment relating to investments in CapsolGo® demonstration units. Total receivables were 10 523 103 NOK.

Total short-term debt was 8 672 292 NOK and total long-term debt was 23 000 000 NOK.

Cash flows from operating activities ended at negative 33 365 870 NOK.

Cash flows from investing activities were negative by 22 125 351 NOK, mainly reflecting capitalised development costs related to CapsolGo® demonstration units. Cash flows from financing activities of 31 958 669 NOK from a private placement share issues and new bank debt.

The net change in cash and cash equivalents over the period was negative 23 532 552 NOK.

Allocation of net loss and dividends

CO2 Capsol AS has a net loss of 34 401 266 NOK from January 1 to December 31, 2022. The Company is in a growth phase and is not in position to pay dividends.

The Board of Directors propose the net loss to be allocated to loss brought forward.

Going concern

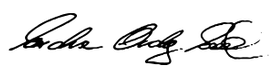
The geopolitical environment in Europe and the rest of the world is more unstable than it has been for decades. The Russian invasion of Ukraine and the strong European and American sanctions against Russia have had significant negative effects on the global economy, energy markets, supply chain and inflation levels.

CO2 Capsol is continuously monitoring and will continue to take measures to mitigate any negative impacts for the company. However, there is a risk that the negative effects on the global economy may impact the development and speed of implementation of carbon capture facilities, which in turn may have negative effects on the company.

CO2 Capsol has adequate liquidity reserve as of 31 December 2022. Therefore, in accordance with the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption, on which the consolidated financial statements have been prepared, is appropriate.

Oslo, 19th of April 2023

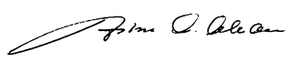
The Board of CO2 Capsol AS



Endre Ording Sund
Chairman of the board

Claes Oskar Nygren
Member of the board

Einar Christen Lange
Member of the board



John Arne Ulvan
Member of the board

Monika Inde Zsak
Member of the board

Wayne Thomson
Member of the board

Jan Kielland
Chief Executive Officer

ESG reporting

Introduction to CO2 Capsol's ESG Reporting

CO2 Capsol is committed to develop its business in accordance with the UN Sustainable Development Goals (SDG) and the Paris Agreement.

Contributing towards the UN Sustainability Development Goals (SDG) through climate change mitigation solutions are at the core of CO2 Capsol's business. This is an important commitment to society at large, and an important factor in minimising the negative environmental and social impact of emissions of carbon dioxide.

Our goal is to capture as much CO_2 as possible with our state-of-the art carbon capture technology, with the SDG 13 “Climate Action” Goal being a key part of our long-term strategic processes.

At CO2 Capsol we help our customers align with the Paris Agreement and a carbon neutral future, by offering carbon removal solutions forin-dustries, power plants and hard-to-abate sectors, creating long-term value for our customers, shareholders, society, and the environment.

Materiality assessment

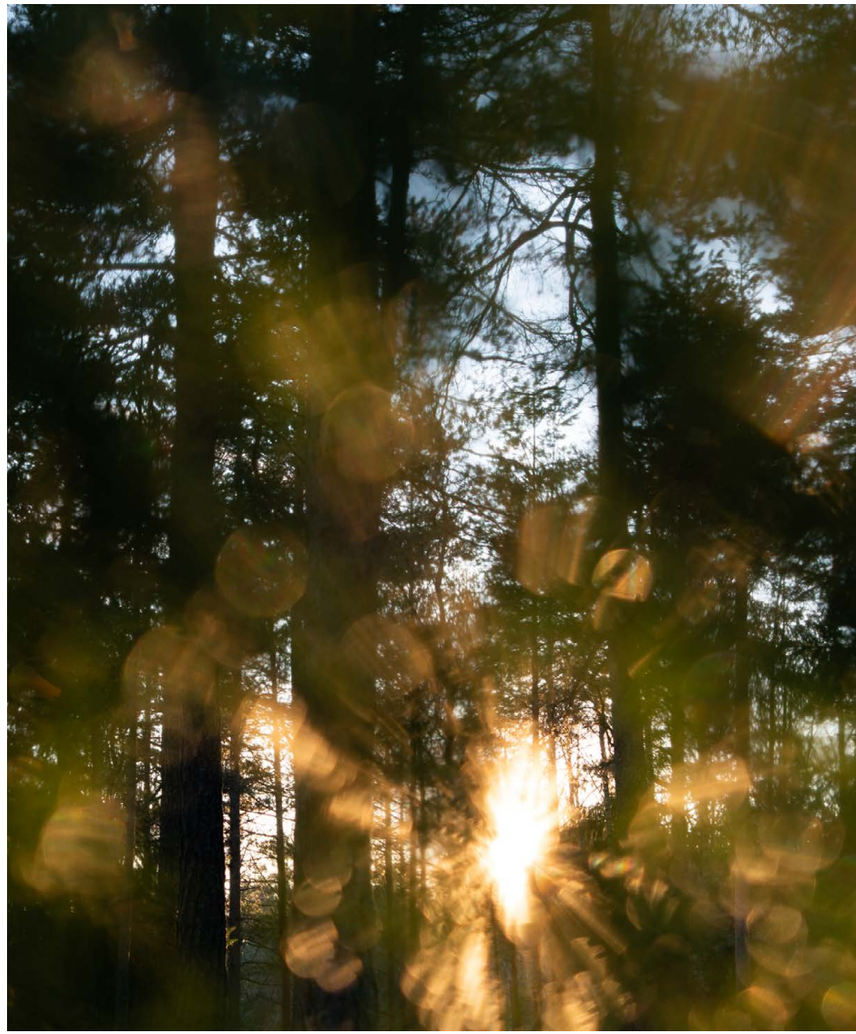
CO2 Capsol performed its first materiality assessment in 2022. The materiality assessment was linked to how we are impacted by and can impact the UN SDGs. CO2 Capsol has identified six SDGs that are the most material to the Company:

1. Climate Change Mitigation & Adaption
2. Air and Water Pollution
3. Equal Remuneration for Women and Men
4. Ethical Business & Transparency
5. Anti-corruption and Bribery
6. Data Privacy and Security

The materiality assessment was conducted through a survey sent to CO2 Capsol's key stakeholders to help identify and prioritise the most important material topics for the Company.

Key stakeholders identified by CO2 Capsol

Key stakeholders for CO2 Capsol are customers, partners, share-holders, and employees. CO2 Capsol's customers are key to drive sales. Partners are essential in the day-to-day operations. Shareholders are key in providing funding for operations, as well as incentivising innovation and driving sustainability. Finally, high quality employees are essential for the success of the Company.



Prioritised SDGs – greatest area of impact

Ensure access to affordable, reliable, sustainable, and modern energy for all

CO2 Capsol provides solutions that enable production of low carbon energy through carbon removal from energy-from-waste (EfW) operations, combined heat and power (CHP) plant production from biomass, and gas turbines.

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

CO2 Capsol develop and deliver innovative, energy-efficient and cost competitive carbon capture solutions for heavy industries and hard-to-abate sectors to reach their sustainability goals.

Ensure sustainable consumption and production patterns

CO2 Capsol is working with the supply chain to create a circular design mindset and responsible sourcing of energy and materials, to reduce waste and ensure sustainable consumption.

Take urgent action to combat climate change and its impacts

CO2 Capsol enables emission intense industries, hard-to-abate sectors, power production and energy-from-waste plants to take climate action through removal of CO_2 from their own operations.

Environmental

As a provider of technology that mitigate climate change through CO_2 emission removal from industries like waste-to-energy (energy-from-waste), bioenergy power production and hard-to-abate sectors like cement and steel, managing the Company's own environmental footprint, and working towards minimising the footprint of the production of our CapsolGo® demonstration units, are areas selected as strategic targets with regards to environmental and climate impact. This report marks the first time CO2 Capsol has undertaken climate accounting for the Company, which is done in accordance with the Greenhouse Gas (GHG) Protocol.

Scope 1 — **0.0 tCO_2e**

Direct

Company facilities

Company vehicles

Scope 2 — **11.2 tCO_2e**

Indirect

Electricity

Scope 3 — **13.8 tCO_2e**

Indirect

Business travel

Employee commute

Waste

Transportation

Electricity CapsolGo®

Scope 1 emissions

0 tCO_2e (tonnes CO_2 equivalents)

Scope 2 emissions

Electricity usage in the Company's office space (10.000 kWh) contributed to indirect energy emissions of 0.08 tCO_2e.

Scope 3 emissions

Scope 3 (indirect) emissions totaled 13.80 tCO_2 in 2022. With the pandemic still restricting travel at the beginning of the year, and the use of Teams meetings instead of physical meetings, emissions linked to travel and commuting was 10.04 tCO_2e, accounting for 73 per cent of Scope 3 emissions for 2022. One main contributor to indirect Scope 3 emissions is the electricity usage in the category of downstream leased assets, where CO2 Capsol's mobile demonstration unit CapsolGo® has been in operation in Sweden since 15 September 2022 accounting for (188.160 kWh) 3.76 tCO_2e, accounting for 27 per cent of Scope 3 emissions.

CO_2 emissions and mitigation

CO2 Capsol's biggest impact with regards to reduction of CO_2 emissions and mitigating climate change is directly linked to how much carbon that is captured with our technology, which in turn is directly linked to how many facilities that have chosen to invest in our carbon capture technology.

CO2 Capsol's second largest contributor to carbon emissions and environmental impact is the production and use of our CapsolGo® demonstration units. Our carbon capture process uses less energy than comparable technologies. At the same time, our innovation and continuous improvement efforts continue to limit CO2 Capsol's negative impact on the environment through circular economy-based construction (reuse of materials after end of life) of our units.

As primarily a provider of patented licenses, CO2 Capsol does not have direct impact on supplier selection related to the construction of large-scale carbon capture plants.

Priorities

Achieve net zero for scope 1 and 2 emissions by 2030

Develop a green procurement strategy strategy for the company

Implement environmental criteria in selection of suppliers and cooperate with suppliers and construction companies to create awareness and collaboration in reducing the carbon footprint of our CapsolGo® units

Continue to prioritise RD&I (Research and Development, and Innovation) to further improve CO2 Capsol's carbon capture technology

Develop and mature new business opportunities

Continue to focus on cost reductions throughout the CCUS value chain

Social

People, diversity, flexibility, and equal opportunities

Our employees are our most important resource and investment. CO2 Capsol is developing an organisation based on participation, teamwork, and people empowerment. Building a strong organisational culture to leverage the organisation's critical competencies, core values, and behavior, and to continuously identify gaps, competence, and capacity needs, are at the core of our daily business. Maintaining and strengthening a diverse workforce, including background, experiences, gender, nationalities, and age, is a priority for CO2 Capsol, and we are committed to empowering our employees to take more responsibility and develop within their own area of responsibility.

CO2 Capsol recognises that a healthy work-life balance improves employee motivation, performance, productivity and reduces stress. As an employer, we support flexibility in working hours or working location, as long as the flexibility is not adverse to the employee performing her/his tasks.

In 2022, we established principles and procedures related to the people process and the Company's obligation to handle employment matters consistently and without delay. We aslo implemented an occupational health and safety system, performed risk assessment, and implemented a risk management system.

We have an equal opportunity policy and expect a workplace free of harassment and discrimination, as expressed in our Code of Business Conduct and Ethics.

Priorities

Retention of talents and key employees will be instrumental in the Company's continued success.

Surveys to monitor and gain insights into employees' perceptions of own work motivation, team dynamics and organisational effectiveness, and to increase our understanding of how employees experience their own impact on our operations, development, and goals.

Continue to build on and develop structures to strengthen internal communication and identify improvement areas

Establish procedures to follow up on issues brought up by employees to secure employee well-being and a strong company culture

Zero injuries

Gender diversity in management team

Number of employees at 31 December 2022	Women	Men	Total
Total	4	9	13
Contract		2	2
Full time	4	4	8
New hires (permanent)		3	3
Turnover	-	-	0
Parental leave	-	-	0

Employees by age group 2022	Women	Men	Total
Under 30	-	-	0
30-50	3 (27%)	8 (73%)	11
Over 50	1 (50%)	1 (50%)	2
Total	4 (31%)	9 (69%)	13

Employees by employee category 2022	Women	Men	Total
C-level	1 (20%)	4 (80%)	5
Managers	1 (50%)	1 (50%)	2
Staff	2 (20%)	4 (80%)	6
Total	4 (31%)	9 (69%)	13

Pay equality	2022
Average salary for women as a percentage of average salary for all employees	100%
Average salary for men as a percentage of average salary for all employees	100%

Nationalities among employees	2022
Number of nationalities among employees	6

Nationalities among employees	2022
Detected incidents of discrimination	0

There have been no detected incidents of discrimination in 2022. Prevention of discrimination is an important part of the diversity and equality work at CO2 Capsol. The Company seeks to prevent all types of discrimination and harassment in the workplace. Employees can and are encouraged to report incidents of discrimination and other concerns through the whistleblowing channel for employees. Employees raising genuine concerns relating to malpractice or impropriety through whistleblowing is acting responsibly and appropriately. Read more about CO2 Capsol's whistleblowing policy in our Code of Business Conduct and Ethics.

Human and labor rights

CO2 Capsol is committed to respecting, supporting and promoting fundamental human and labor rights, both in its own operations and throughout the value chain. The Company supports the principles underlying the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions, and we expect our suppliers to do the same.

CO2 Capsol's Code of Business Conduct and Ethics, endorsed by the Board of Directors, constitutes a framework for managing compliance and integrity risks. It describes the Company's commitments and requirements regarding business practice, personal conduct, and expectations towards i.e., colleagues, customers, business- and alliance partners. The Code of Business Conduct and Ethics outlines clear principles and rules in key compliance and integrity areas, including human rights and labor rights, health, safety and security, anti-harassment, and diversity topics. The Code of Business Conduct and Ethics was revised in September 2022.

Board of director's composition

The CO2 Capsol AS Board of Directors consists of 6 members The board constitutes a good balance of industry specific experience with a combination of financial background, management experience and industrial experience. We strive to have a 40% share of both men and women in the Board of Directors.

Pay equality	2022
Women	1 (17%)
Men	5 (83%)
Over 50 years old	5 (83%)
30-50 years old	1 (17%)

Collaboration and partnerships

CO2 Capsol values collaboration and partnerships with academia and students, which is encouraged to engage in research linked to CO2 Capsol's technical solutions.

Current partners include the University of Stavanger and KTH (Kungliga Tekniska Högskolan) in Stockholm, Sweden.

Governance

CO2 Capsol aims to maintain a high standard of corporate governance to strengthen the confidence in the company and to contribute to long-term value creation by regulating the roles and responsibilities between shareholders, the Board of Directors and executive management more comprehensively than is required by legislation.

Corporate governance in CO2 Capsol is based on the Norwegian Code of Practice for Corporate Governance (www.nues.no):

- All shareholders shall be treated equally
- CO2 Capsol shall maintain an open, relevant, and reliable communication with its stakeholders, including shareholders, governmental bodies, and the public, about the company's activities
- CO2 Capsol's Board of Directors shall be autonomous and independent of the company's management
- The Company emphasises independence and integrity in all matters between the Company and members of the Board, management, and shareholders
- CO2 Capsol shall have a clear division of roles and responsibilities between shareholders, the Board and management

1. Implementation and reporting on corporate governance

Compliance, objective, and regulations

The Board of Directors (the Board) of CO2 Capsol has the overall responsibility for ensuring that the Company has sound corporate governance. The Board has developed a Corporate Governance Policy addressing the framework of guidelines and principles regulating the interaction between the shareholders, the Board, and the Chief Executive Officer (the CEO).

The Corporate Governance Policy in CO2 Capsol establishes a basis for good corporate governance, profitability, and long-term value creation for the shareholders of the Company.

The Policy contains measures that are, and will be, implemented to ensure effective management and control over the Company's activities. The primary objective is to have systems for communication, monitoring and allocation of responsibility, as well as appropriate incentives, which contribute to increasing the company's financial results, long-term success and returns to shareholders on their investments in the Company. CO2 Capsol aims to have good control and governance procedures to ensure equal treatment of all shareholders, thereby providing a foundation for trust.

The development of this Policy is an ongoing and important process that the Board will put focus on. The Board and the executive management perform an annual assessment of the Company's principles for corporate governance.

CO2 Capsol is listed on Oslo Børs (Oslo stock exchange) and is subject to Norwegian laws, including the section 3-3b of the Norwegian Accounting Act, which requires the company to disclose certain corporate governance related information annually. In addition, Oslo Børs' continuing obligations requires listed companies to publish an annual statement of its principles and practices with respect to corporate governance, covering every section of the latest version of the code.

Priorities

- Establish routines for annual materiality assessments
- Continue to improve ESG work and reporting
- Conducted mandatory Code of Business Conduct and Ethics training.

2. Business activity

The board of CO2 Capsol has defined clear objectives and strategies for the Company's business activities, to secure sustainable long-term value creation for the shareholders of the Company. The board normally has one scheduled meeting per year that deal with the Company's strategy, where objectives and risk profiles are evaluated. In its work, the board considers economic, social, and environmental conditions.

3. Annual general meeting

All shareholders have the right to participate in the General Meetings of the Company, which exercise the highest authority of the Company. The Company's goal is to ensure that as many shareholders as possible may exercise their rights by participating in General Meetings of the Company, and that the meetings are an efficient forum for shareholders and the Board to express their views.

The Annual General Meeting shall normally be held before 30 May every year, and no later than 30 June. The date of the meeting is made available in the financial calendar.

The notice for a General Meeting shall be sent to the shareholders no later than 7 days prior to the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the Company's website www.co2capsol.com and a separate notice to the Oslo Stock Exchange no later than 7 days prior to the date of the General Meeting. The notices for such meetings shall include documents providing the shareholders with sufficient detail for the shareholders to assess all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. Directors of the Board and the CEO have the right to attend and speak at General Meetings. The Chairman of the Board and CEO shall attend General Meetings unless the General Meeting in each case decides otherwise. When absent for valid reasons, a deputy shall be appointed. The auditor has the right to be present at General Meetings.

Notices for General Meeting shall provide information on the procedures shareholders must observe to participate in and vote at the General Meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

The Board and the person chairing the General Meeting shall make appropriate arrangements for the General Meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

The Board of Directors may decide that shareholders shall be able to cast their votes in writing, including through the use of electronic communications, for a period prior to the general meeting. For such voting, a reassuring method must be used to authenticate the sender.

The Annual General Meeting (AGM) is CO2 Capsol's ultimate decision-making body. Every shareholder has a right to participate in the AGM and each share in CO2 Capsol entitles its holder to one vote.

The notice for the AGM, and all supporting documentation, shall be made available on the Company's website, www.co2capsol.com. Notice and the supporting documents shall include the information necessary for shareholders to form a view of matters to be considered. Shareholders who wish to participate in the AGM, shall notify the Company of this within a deadline which is set out in the notice for the AGM.

Shareholders not in attendance can give a proxy to vote on the shareholder's behalf. Forms of proxy are sent to the shareholders together with the notice for the meeting.

Shareholders can raise a topic in the AGM but must notify the board of this in writing and in reasonable time before the notice for the AGM is dispatched.

4. Board of directors

Composition and Independence

The composition of the board shall ensure that the board can attend to the common interests of all shareholders and meet CO2 Capsol's need for expertise, capacity, and diversity. Attention shall be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the board shall ensure that it can act independently of any special interests. The members of the board shall be independent of the company's executive personnel and material business connections. In addition, at least two of the members of the board must be independent of the company's major shareholder(s). For the purposes of this corporate governance policy, a major shareholder shall mean a shareholder that controls 10% or more of the company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

Board members are elected by the general meeting for a term of two years unless otherwise determined by the General Meeting. The constitution of the board reflects a strong background that balances specific industry experience with a combination of financial background, management experience and industrial experience.

All directors are deemed to be independent of the company's executive personnel and material business connections and three of the six members of the board are independent of major shareholders. Board member Mr. Lange represent the company's largest shareholder. No members of the executive management team are members of the board.

The board held a total of 16 meetings in 2022 and the attendance rate was 98 per cent. A description of the competence and background of the individual directors can be found on www.co2capsol.com. The directors are encouraged to hold shares in the company.

5. The work of the board of directors

The Board of Directors shall issue instructions for its own work as well as for the CEO.

The Board shall prepare an annual plan for its work with special emphasis on goals, strategy, and implementation. The Board's primary responsibility shall be (i) participating in the development and approval of the Company's strategy, (ii) performing necessary monitoring functions, and (iii) acting as an advisory body for the senior management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is in compliance with the Company's values and ethical guidelines. The Chairman of the Board shall be responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the Company has a good management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the Board and the senior management team. The CEO is responsible for the senior management team.

All members of the Board shall regularly receive information about the Company's operational and financial development. The Company's strategies shall regularly be subject to review and evaluation by the Board.

6. Board remuneration

The General Meeting shall annually determine the Board's remuneration. The proposition takes into account the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

Board Members, or their affiliated entities, may undertake assignments or perform tasks for or on behalf of the Company only if such assignments or tasks is defined in a separate agreement with the Company, outlining the scope of work to be performed and the agreed remuneration. All such agreements including proposed scope and renumeration are subject to Board Approval pursuant to procedures established by the Board.

The Company's financial statements shall provide information regarding the Board's and related 3rd parties remuneration.

Information on the remuneration paid to individual board members for 2022 can be found in Note 3 to the 2022 consolidated financial statement.

7. Remuneration of executive management

The Board decides the salary and other compensation to the CEO. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the CEO's basic salary. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

The Company's financial statements shall provide further information about salary and other compensation to the CEO.

The Board shall issue guidelines for the remuneration of the senior management team. The guidelines shall lay down the main principles for the Company's management remuneration policy. The salary level should not be of a size that could harm the Company's reputation, or above the norm in comparable companies. The salary level should, however, ensure that the Company can attract and retain senior employees with the desired expertise and experience.

Performance-related remuneration should not be such as might encourage a short-term approach that could be damaging to the Company's long-term interests.

8. Information and communication – investor relations

The Board and the senior management team assign considerable importance to giving the shareholders timely, relevant, and current information about the Company and its activity areas. Emphasis is placed on ensuring that the shareholders receive identical and simultaneous information. All information that is distributed to shareholders is made available simultaneously on the Company's web page. All information which the Company is required to disclose will be given in English.

Sensitive information shall be handled internally in a manner that minimises the risk of leaks. All contracts to which the Company becomes a party shall contain confidentiality clauses.

The Company has clear routines for who is allowed to speak on behalf of the Company on different subjects, and who is responsible for submitting information to the market and the investor community.

The Company publishes a financial calendar for the upcoming year in the fourth quarter. The calendar includes an overview of major events such as its Annual General Meeting, publication of quarterly reports, publication of revenue reports and any planned public presentations.

The Board shall ensure that the shareholders are given the opportunity to make known their points of view at and outside of the General Meeting.

The Board has established instructions for the Company's reporting of financial and other information.

9. Take-overs

In a take-over process, the Board, and the senior management team each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall ensure that:

a. the Board will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so;
b. the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
c. the Board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
d. the Board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether the shareholders should accept the bid.

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting.

10. Auditor

Each year the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the Company's accounting principles, risk areas, internal control routines, etc.

The auditor may not be used as a financial advisor unless the Board decides otherwise, and then only provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the Company. Only the CEO shall have the authority to enter into agreements in respect of such counselling assignments.

At the Annual General Meeting the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other concrete assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.

The remuneration paid to the auditor in 2022 for both audit and other services is presented in Note 3 to the consolidated financial statements.

Risk management

The Board of Directors sets the direction of the Company and ensures that CO2 Capsol has procedures and systems for good corporate governance, effective internal control, and risk management appropriate to the extent and nature of the Company's activities.

The ultimate responsibility for risk management lies with the board, whereas the CEO has the responsibility for establishing sufficient risk management processes and controls, ensuring that they are executed as intended, adjusted if needed, and that necessary mitigation actions are in place to reflect the risk situation at any given point in time. The major risks of the group are reviewed on a regular basis.

The responsibility for the day-to-day risk management is not delegated to a specific function but lies with the management and each manager. This responsibility includes ensuring that operations comply with internal and external rules and regulation.

The objective of the risk management and internal control is to manage exposure to risks to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

On the finance and accounting side the Company's internal control is also subject to an independent review by the external auditor RSM, where the findings are presented annually in a board meeting. Once a year, the board carries out reviews of the Company's most important areas of exposure to risk and its internal control arrangements.

1. Risk factors and uncertainties

CO2 Capsol operates in a global market which is influenced by government subsidies, CO_2 taxes, customer preferences and willingness to adapt to new technologies and solutions; the introduction and commercialisation, and timing, of new technologies, products, and services by others; changes in regulation; and other market conditions, in addition to internal factors such as financial and operational risks. The risk factors are further described below.

2. Market risk

2.1. Industry

The carbon capture market, industry, and investment opportunity and interest in carbon capture technologies have rapidly increased over the last couple of years driven by increased carbon taxes, funding opportunities, climate change and net zero targets.

Carbon capture is expected to increase to more than 6.2 billion tonnes of CO_2 captured per year by 2050, which is almost equivalent to today's global oil production. This will require several trillion euros in investment.

CO2 Capsol has a highly competitive and proven carbon capture solution, using the safe and natural solvent HPC (Hot Potassium Carbonate), providing a cost-effective and flexible solution.

However, the Company operates in a competitive market, where only companies with sufficient funding, skilled employees, strong technical knowledge, and a clear business strategy are expected to survive and expand in the current market.

The ability of the Company to successfully and timely commercialise its technology and solutions will depend on external factors such as the price of CO_2 emission units (including within the EU ETS), funding of CCUS projects through the US IRA (Inflation Reduction Act), customer preferences and willingness to adapt to new technology and solutions; the introduction and commercialisation, and timing, of new technologies, products, and services by others; changes in regulation, insufficient storage capacity for CO_2 under development leading to delay and other market conditions. Any failure to sufficiently commercialise the Company's technology solutions, in whole or in part, could have a material adverse effect on the Company's results, financial condition, cash flows and prospects.

Mitigating actions

The Company hired an innovation manager and Chief Technology Officer during the first half of 2022, both with extensive and exceptional experience, to make sure the Company's technology stays at the forefront of carbon capture technologies. In addition, CO2 Capsol's first CapsolGo® demonstration campaign started operation on flue gas from Öresundskraft's energy-from-waste plant in Helsingborg, Sweden, in September, with a second unit under construction, which will be in operation at two different plants in Germany for a 12-month period during 2023, bringing valuable data and input to the continued improvements of CO2 Capsol's HPC technology.

2.2. Technical and operational risk

Loss of business from a significant customer, termination of contracts by customers and the general ability to remain competitive are typical operational and technical risks for CO2 Capsol.

Changes in the scope of work and amendments due to design development resulting in delay and increased cost constitute potential operational risk for the company. Both CO2 Capsol and CO2 Capsol's customers are furthermore potentially subject to cybercriminals and cyber security issues leading to for example system downtime, significant loss of intellectual property or claims against the Company for improper handling and protection of such information.

Mitigating actions

The Company has a very diversified portfolio with the licencing business model aiming for volume with limited exposure to individual client and project risk.

The Company is using external IT consultants to safeguard Company data and digital infrastructure, including several layers of digital backups on separate infrastructure and servers.

2.3. ESG and political risk

CO2 Capsol has limited direct exposure in countries associated with high political, corruption and human rights risks. The Company is nevertheless exposed to legal, regulatory, and political risks, decisions on environmental regulation and international sanctions that impact supply and demand, as well as risks associated with unethical and criminal behaviour.

Mitigating actions

Capsol is committed to sustaining a high standard of corporate governance and has established guidelines and policies ("Code of Business Conduct and Ethics") to ensure that the company acts with the utmost care and absolute integrity, with zero tolerance for any form of bribery, corruption, money laundering and fraud.

The Code sets out the fundamental expectations, commitments, and requirements for the ethical conduct of the Company, serving as the base for how to interact with employees, customers, partners, and shareholders. Employees are expected to use good judgement in all situations and adhere to the guidelines set out in the Code.

Capsol has a whistle-blower channel where issues of concern related to the company and its operations can be reported.

2.4. Financial risks

CO2 Capsol is exposed to a variety of financial market risks such as currency risk, interest rate risk, tax risk, price risk, credit and counterparty risk, liquidity risk and capital risk as well as risks associated with access to and terms of financing.

In light of recent market interruptions and development including rising interest rates and cost inflation, CO2 Capsol could be affected as an actor in global supply chains, especially related raw materials, wages and energy.

Mitigating actions

The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimise potential adverse effects on CO2 Capsol's financial results and performance.

The Company continuously monitors liquidity situation and currency exposure, taking a balanced approached to matching currency in cost, debt and revenue. The Company has limited cost and investment commitments, allowing for flexible cost/liquidity management.

2.5. IPR

CO2 Capsol's success depends in part upon its ability to protect its intellectual property. To accomplish this, the Company relies on a combination of registered intellectual property rights and trade secrets. Effective protection of the Company's intellectual property rights may be unavailable, limited or not applied for in some countries or for some technology. No assurance can be given that; any of the Company's present or future patents or patent claims will not lapse or be invalidated, circumvented, challenged, or abandoned; that any pending or future patent applications will be issued or have the coverage originally sought; or that the Company's intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak. In addition, competitors or others may design around the Company's protected patents or technologies.

The Company could also face claims of intellectual property infringement, which could be time-consuming, costly to defend or settle, result in the loss of significant rights, harm relationships with partners, customers, and distributors, or otherwise materially adversely affect the Company's business, financial condition, and results of operations.

Mitigating actions

With regards to Intellectual Property Rights (IPR), the Company is actively monitoring registered intellectual property (IP) and public domain information to detect potential infringements of CO2 Capsol's patents and/or IP. Routines for documentation of new inventions have been established.

2.6. Dependence on key employees, personnel, and partners

The Company relies on skilled key employees and consultants. An inability to retain and attract skilled employees could have a negative adverse impact on the Company's operations, earnings, and financial position. A lack of sufficient recruitment, or losing existing key employees, may cause delays and significantly increased costs in relation to the commercialisation and development of the Company's products.

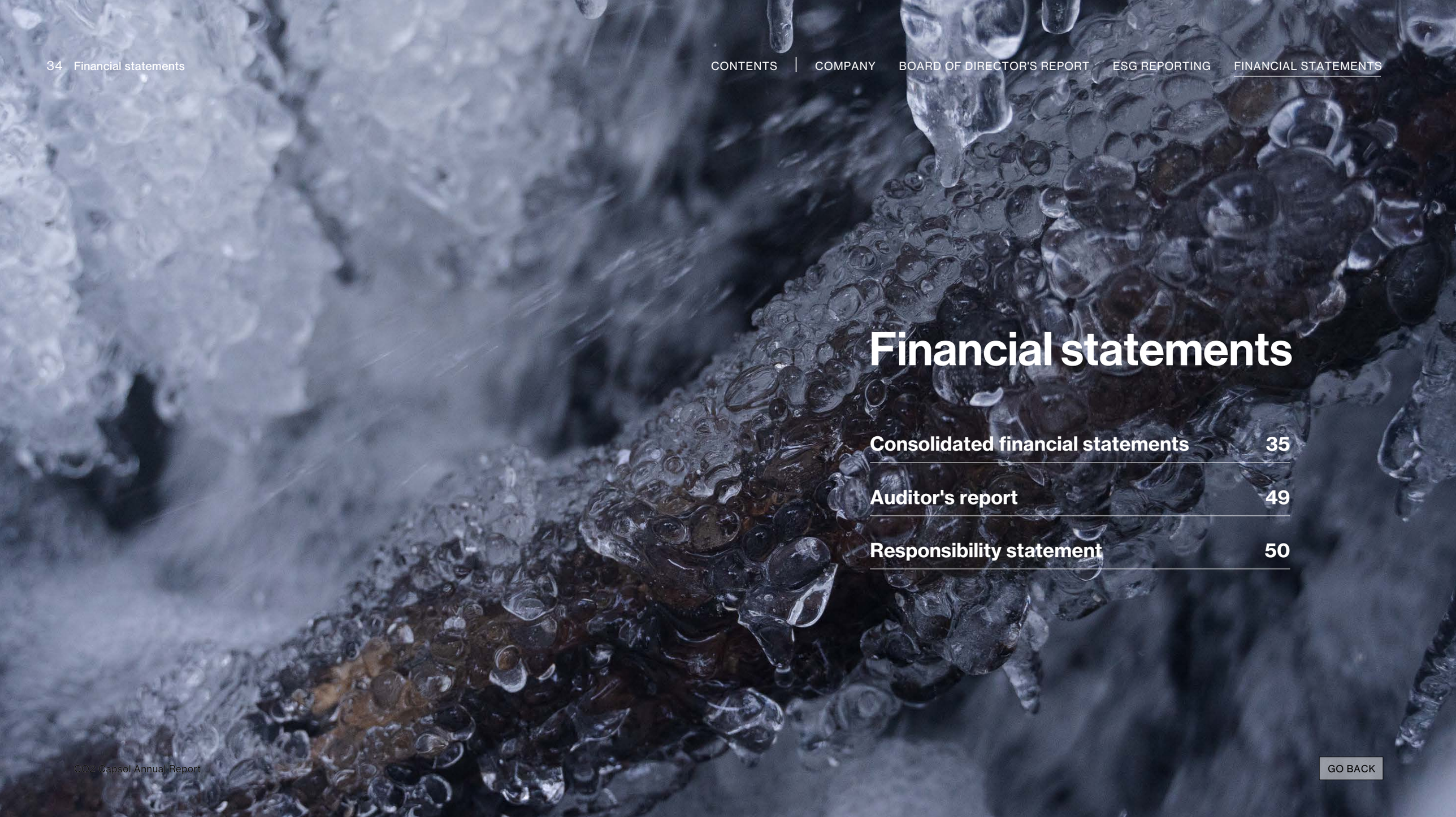
Mitigating actions

CO2 Capsol's vision of being a global leader in capturing carbon and accelerate the worlds transition to a carbon negative future, speaks to a lot of talented people who wants to be part of a more sustainable future and participate in the path net zero.

CO2 Capsol's goal is to be an attractive employer for the best and brightest. Steps have been taken to make sure everyone enjoys going to work and that everyone are recognised for their contribution the Company's continued success.

We recognise that a balance between work and personal needs is important in maintaining a healthy, motivated, and productive employee.

Surveys to monitor and gain insights into employees' perceptions of own work motivation, team dynamics and organisational effectiveness, and increase understanding of how the employee's experience impacts our overall operations, have been implemented, to be able to address any issues early-stage to mimimise the risk of losing existing key employees.



Financial statements

Audited financial statements

As of December 31 2022

Income statement

Amounts in Norwegian Kroner	Note	FY 2022	FY 2021
Operating income and expenses			
Revenue	2	10 766 762	37 950
Other operating income		21 666	29 624
Total operating income		**10 788 428**	**67 574**
Costs of materials		2 618 417	-
Personnel expenses	3	25 626 841	13 186 306
Depreciation of intangible assets and plant and equipment	4, 5	718 038	431 794
Other operating expenses	3, 6	16 300 870	11 632 253
Total operating expenses		**45 264 166**	**25 250 353**
Operating loss		**(34 475 739)**	**(25 182 780)**
Financial income and expenses			
Other interest income		-	1
Other financial income	7	919 364	4 126
Other interest expenses		-	1 486
Other financial expenses	7	844 891	73 639
Net financial items		**74 473**	**(70 998)**
Loss before tax		(34 401 266)	(25 253 778)
Tax expense	8	-	-
Net loss		**(34 401 266)**	**(25 253 778)**
Brought forward:			
Loss brought forward		34 401 266	25 253 778
Net loss brought forward		(34 401 266)	(25 253 778)

Balance sheet

Amounts in Norwegian Kroner	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Fixed assets			
Intangible assets			
Patents, licences, trademarks and similar rights	4	6 476 912	6 908 706
Total intangible assets		**6 476 912**	**6 908 706**
Plant and equipment	5, 13	24 803 826	2 964 720
Total plant and equipment		**24 803 826**	**2 964 720**
Financial fixed assets			
Investments in subsidiaries	9	1	1
Investments in other companies		9 000	-
Loan to group companies		52 543	44 143
Total financial fixed assets		**61 544**	**44 144**
Total fixed assets		**31 342 282**	**9 917 570**
Current assets			
Debtors			
Accounts receivables	13	1 995 475	-
Other short-term receivables		8 527 628	2 034 746
Total receivables		**10 523 103**	**2 034 746**
Cash and bank deposits	10	61 412 023	84 944 575
Total current assets		**71 935 126**	**86 979 322**
Total assets		**103 277 408**	**96 896 891**

Amounts in Norwegian Kroner	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Paid-up equity			
Share capital	11	53 533 395	50 582 776
Share premium reserve		81 072 850	75 064 800
Other paid in capital		14 467 512	4 425 610
Total paid-up equity		**149 073 757**	**130 073 186**
Retained earnings			
Uncovered loss		(77 468 641)	(43 067 375)
Total retained earnings		**(77 468 641)**	**(43 067 375)**
Total equity	12	**71 605 116**	**87 005 811**
Liabilities			
Current debt			
Long term debt			
Debt to financial institutions	13	23 000 000	-
Total long term debt		**23 000 000**	**-**
Short term debt			
Trade creditors		1 282 809	5 323 105
Public duties payable		1 388 218	729 277
Liabilities to group companies		99 900	99 900
Other current debt		5 901 365	3 738 798
Total short term debt		**8 672 292**	**9 891 080**
Total liabilities		31 672 292	9 891 080
Total equity and liabilities		**103 277 408**	**96 896 891**

Oslo, 19th of April 2023
The Board of CO2 Capsol AS

Endre Ording Sund
Chairman of the board

Claes Oskar Nygren
Member of the board

Einar Christen Lange
Member of the board

John Arne Ulvan
Member of the board

Monika Inde Zsak
Member of the board

Wayne Thomson
Member of the board

Jan Kielland
Chief Executive Officer

Cash flow statement

Amounts in Norwegian Kroner	Note	FY 2022	FY 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(34 401 265)	(25 253 778)
Ordinary depreciation	6	718 038	431 794
Change in accounts receivable		(1 995 475)	49 050
Change in accounts payable		(4 040 296)	1 351 703
Share based compensation scheme without cash impact	3	10 041 902	4 425 610
Change in other accrual items		(3 688 774)	3 953 663
Net cash from operating activities		**(33 365 870)**	**(15 041 958)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investments in plant and equipment	8	(22 125 351)	(2 964 720)
Net cash from investment activities		**(22 125 351)**	**(2 964 720)**
CASH FLOWS FROM FINANCINGOPERATING ACTIVITIES			
Proceeds from the issuance of new long-term liabilities		23 000 000	
Net proceeds from share issue	12	8 958 669	102 418 540
Net cash from financing activities		**31 958 669**	**102 418 540**
Net change in cash and cash equivalents		(23 532 552)	84 411 862
Cash and cash equivalents at the start of the period		84 944 575	532 713
Cash and cash equivalents at the end of the period	10	**61 412 023**	**84 944 575**

Notes to the financial statements

As of 31 December 2022

Note 01 Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. All amounts are stated in Norwegian Kroner.

Consolidation

The Company has chosen not to consolidate the subsidiaries due to the exception in the accounting act which states that consolidated financial statements can be left out if all of the company's subsidiaries, both individually and collectively, are of insignificant importance, cf. § 3-2.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate.

Revenue recognition

Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT and discounts. Revenues from the sale of services are recognised in the income statement for the period when the service is performed.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables falling due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognised at nominal value.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets consist mainly of patents. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The amortisation expense is recognised in the income statement. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is recorded on a straight-line basis over the following estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to other expenses in the period incurred. Assets under construction are not depreciated until completed and ready for their intended use.

Investment in subsidiaries and associates

The cost method is applied for investments in subsidiaries and associates. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Impairment of intangible assets and investments

Impairment tests are carried out if there is an indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use. Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Pensions

The Company has a pension scheme for all employees, assessed as contribution plan. The pension scheme is financed through payments to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Share based compensation

The Company provides incentives to employees in the form of equity-settled share-based instruments. Equity-settled share options are measured at fair value at grant date and recognised in the income statement under salary and personnel expenses over the period in which the final right of the options vest. The balancing item is recognised directly in equity. On initial recognition of share options, the number of options expected to vest at expiry is estimated. Subsequently the estimated number of vested options is revised for changes, so that the total recognition is based on the actual number of vested options. The fair value of the options granted is estimated using the Black-Scholes model.

Warrants (subscription rights)

The Company has issued share subscription rights to its owners. These rights are issued without payment for the right to subscribe shares under the terms of the contract. When the share subscription rights are exercised, the consideration for the shares and the share issue are recognised.

Research and development

Development costs are capitalised providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalised development costs is amortised linearly over its useful life. If the economic useful life of the capitalised development costs cannot be reliably estimated, the capitalised development costs must be amortised over maximum period of ten years. Research costs are expensed as incurred.

Note 02 Revenue

Geographical distribution	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
United Kingdom	1 161 884	
Sweden	9 604 878	
Revenue	10 766 762	37 950
Other operating income	21 666	29 624
Total revenue	**10 788 428**	**67 574**

Recorded revenues are from CapsolGo® demonstration services and from engineering studies.

Other operating income is related to sublease of offices.

Note 03 Salary costs and benefits, remuneration to the CEO, board and auditor

Salary costs	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Salaries	13 982 643	5 387 347
Employment tax	2 139 293	881 813
Other benefits	1 447 833	573 478
Share based compensation cost	10 041 902	4 425 610
Share based compensation employment tax	(1 573 394)	2 015 947
Tax refund (Skattefunn)	(411 436)	(97 888)
Total	**25 626 841**	**13 186 306**
Number of full time equivalent employees end of period	11	7

Pension cost

The Company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pension Act. The company's pension scheme satisfy the requirements of this act. The pension cost is incl. under "other benefits" in the table above.

Remuneration to Board of Directors and Chief Executive Officer (CEO) 2022	Salary	Option scheme
Chief Executive Officer	2 392 944	1 562 031
Board of Directors	962 500	1 928 679
Total	**3 355 444**	**3 490 710**

The CEO participates in the Company's share based compensation program approved by the annual General Meeting held 30 June 2021. The CEO also partakes in the Company's bonus program.

The CEO's agreement has 6 months mutual termination. The Company has the right to terminate the agreement with immediate effect, should the company decide to use this right, the CEO is entitled to 12 months severance pay.

Board members have no agreements for severance pay.

Auditor

The Company has had expenses for audit of the financial statements in 2022 at a total of NOK 338 308. Of which NOK 38 241 is related to other attestation services, and NOK 103 163 is related to technical accounting services.

Note 04 Intangible assets

	31 Dec 2022	31 Dec 2021
Capitalised acquisition of technology and patent rights at start of period	7 340 500	7 340 500
Additions	-	-
Accumulated depreciation	(863 588)	(431 794)
Total	**6 476 912**	**6 908 706**
Depreciation in the year	431 794	431 794

Depreciation plan	Straight line	Straight line
Estimated useful life from start of depreciation	17 years	17 years

Depreciations started in 2021 as the technology was considered ready for intended use.

The Company holds patented technology for large-scale CO_2 capture in power production and other industrial applications.

Expected future uses and revenues are assumed to justify the value of capitalised cost price. Patent costs are expensed on an ongoing basis. Patent costs are also covered for patents held bysubsidiaries.

Note 05 Property, Plant and Equipment

	31 Dec 2022	31 Dec 2021
Capitalised acquisition	2 964 720	-
Additions	22 125 350	2 964 720
Accumulated depreciation	(286 244)	-
Booked value 31 Dec 2022	**24 803 826**	**2 964 720**
Depreciation in the year	286 244	-

Depreciation plan	Straight line	Straight line
Estimated useful life from start of depreciation	5 years	5 years

Note 06 Other operating expenses

	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Rent	597 024	505 061
Professional fees	10 703 865	6 586 632
Other general and administrative expenses	5 268 488	4 662 919
Tax refund (Skattefunn)	(268 507)	(122 360)
Total	**16 300 870**	**11 632 253**

The Company has a rental contract with a landlord lasting until 15.04.2023 with an annual rent of NOK 529 000.

The Company has enterd into a new rental contract with Thune Eureka AS running from 1 March 2023 to 28 August 2028. The annual rent for the first year is NOK 2 244 800.

Note 07 Classification of net financial items

	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Other interest income	11 387	1
Currency gain	907 977	4 126
Other interest expense	(278 612)	(17 043)
Currency loss	(566 279)	(58 082)
Net financial items	**74 473**	**(70 998)**

Note 08 Income tax expense and deferred tax

This period's tax expense	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Payable tax	-	-
Changes in deferred tax	-	-
Tax expense on ordinary profit/loss	**-**	**-**

Taxable income	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Ordinary result before tax	(34 401 266)	(25 253 778)
Permanent differences	8 231 908	(4 394 800)
Changes in temorary differences	(3 397 877)	2 579 244
Taxable income	**(29 567 235)**	**(27 069 334)**

Reconciliation of tax expense:	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Ordinary result before tax	(34 401 266)	(25 253 778)
Tax expense 22%	(7 568 279)	(5 555 831)
Tax effect on permanet differences	2 077 559	(966 856)
Not recognised deffered tax assets	5 490 719	6 522 687
Net tax expense	**-**	**-**

Deferred tax/deferred tax assets

The tax effect on temporary differences and tax loss carried forward that has formed the basis for deferred tax and deferred tax assets, specified on type of temporary differences:

Reconciliation of tax expense:	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021	Changes
Temporary differences	818 633	(2 579 244)	(3 397 877)
Tax loss carried forward	(73 680 526)	(44 113 291)	29 567 235
Total	**(72 861 893)**	**(46 692 535)**	**26 169 358**
22% deferred tax asset	(16 029 617)	(10 272 358)	5 757 259
Not recognised	16 029 617	10 272 358	(5 757 259)
Deferred tax asset recognised	**-**	**-**	**-**

Note 09 Subsidiaries

	Ownership and voting interest	Acquisition cost	Book value	Share of Equity 31 Dec 2022	Share of Results in 2022
CapSol-EoP AS (Oslo)	100%	750 000	1	(52 543)	(8 400)
Capsol Engineering AB [1] (Sweden) SEK	100%	10 000	-	162 423	(7 102)
Total		**760 000**	**1**		

[1] The financial year for Capsol Engineering AB is ending 31 August. The disclosed figures are denominated in SEK and regards the period 1 September 2021 – 31 August 2022.

Investments in subsidiaries are recognised at cost less accumulated impairment losses. The are no operational activities in the subsidiaries and the investments have in previous years been written down from NOK 760 000 by NOK 759 999 to NOK 1 because the fair value is assessed to be lower than cost.

Note 10 Cash

	31 Dec 2022	31 Dec 2021
Restricted bank deposit for payment of employees' tax deduction	955 054	477 677

Note 11 Shareholders

The share capital consists of 53 533 395 shares with a nominal value of NOK 1, total NOK 53 533 395, and is fully paid. Each share provides one vote. The company has one class of shares.

Shareholders as of 31 December 2022

	No of shares	Share of total
REDERIAKTIESELSKAPET SKRIM	9 522 665	17.79%
SEOTO AS	5 172 677	9.66%
CARBON TRANSITION INVESTMENT AS	3 636 363	6.79%
MIDDELBORG INVEST AS	3 554 974	6.64%
MP PENSJON PK	2 166 800	4.05%
T.D. VEEN AS	2 093 202	3.91%
REDBACK AS	1 849 769	3.46%
OPPKUVEN AS	1 836 200	3.43%
DNB BANK ASA	1 437 866	2.69%
Mathisen	1 410 578	2.63%
Carnegie Investment Bank AB	1 365 082	2.55%
F2 FUNDS AS	1 198 243	2.24%
AS CLIPPER	1 179 352	2.20%
ENGELSVIKEN FRYSERI AS	1 143 891	2.14%
DAIMYO AS	1 030 000	1.92%
Q CAPITAL AS	948 490	1.77%
F1 FUNDS AS	808 461	1.51%
NÆSS	717 795	1.34%
TONE BEKKESTAD AS	717 118	1.34%
CAMECC AS	713 789	1.33%
Investors with less than 1.25%	11 030 080	20.60%
Total	**53 533 395**	**100.00%**

The Company's shares are VPS-registered and listed on Euronext Growth from 20 December 2021.

Numbers of shares and share subscription rights held by the board and Chief Executive Officer, inclusive shares held by companies controlled by the representatives:

Person	Position	Shares
Endre Ording Sund	chairman of the board	1 836 200
Claes Oskar Nygren	member of the board	581 683
Einar Christen Lange	member of the board	10 807 646
John Arne Ulvan	member of the board	-
Monika Inde Zsak	member of the board	-
Wayne Thomson	member of the board	-
Jan Kielland	Chief Executive Officer	5 172 677

Rights under the management incentive scheme are not included, cf. note 12.

Note 12 Equity capital

	Share capital	Share premium	Other paid in capital	Net loss	Total equity
Equity at 1 Jan 2022	50 582 776	75 064 800	4 425 610	(43 067 376)	87 005 810
Result 2022	-	-	-	(34 401 266)	(34 401 266)
Share issue	2 950 619	6 579 880	-	-	9 530 499
Cost of share issue	-	(571 830)	-	-	(571 830)
Share based compensation	-	-	10 041 902	-	10 041 902
Equity at 31 Dec 2022	**53 533 395**	**81 072 850**	**14 467 512**	**(77 468 642)**	**71 605 115**

Funding measure carried out

In December 2020 the Company agreed with certain investors (the "Investors") on a funding package with the 2 elements - 1 capital contribution of NOK 25 000 000, and 2 Subscription rights schemes of total NOK 50 000 000. As of 31 December 2021, a total of 2 950 619 shares under the subscription rights scheme had not been executed. On 24 August 2022 the shares from these remaining rights was issued at a subscription price of NOK 3.23 per share. There is now no outstanding subscription rights or warrants outside of the Company share based compensation scheme.

Share based compensation scheme

On 30 June 2021, the Annual General Meeting approved a share-based compensation program for employees and board members with a volume of up to 5 000 000 options (which would equal the same number of shares if options are exercised), of these 975 000 have now been allocated to members of the board and additional 3 670 000 options have been allocated to management, while 355 000 options have not been allocated. The compensation program had its first effectiv date 1 July 2021.

Terms for CO2 Capsol Board members

Strike NOK 10 to NOK 15.88, vesting 3 years with 1/3 each year.

Terms for CO2 Capsol employees

Strike price shall be 10 NOK for current management and employees (per 30 June 2021). Strike price for participants added to the incentive program in the future will be adjusted relative to share price at the time of issuing. Vesting shall be over a period of 3 years with 25% vested year 1, 25% vested year 2 and 50% vested year 3.

Options issued under the share based compensation scheme:

	Allocation	Strike price	Issue date	Vesting
Endre Ording Sund (Chairman)	100 000	10	1.07.2021	3 years with 1/3 each year
Einar Chr. Lange	100 000	10	1.07.2021	3 years with 1/3 each year
Claes Oskar Nygren	100 000	10	1.07.2021	3 years with 1/3 each year
John Arne Ulvan	225 000	10	1.07.2021	3 years with 1/3 each year
Monika Inde Zsak	225 000	10	1.07.2021	3 years with 1/3 each year
Wayne Thomson	225 000	15.88	1.07.2022	3 years with 1/3 each year
Total Board	975 000			
Total Employees [1] (average weighted)	3 670 000	11.11	1 Jul 21 – 18 Sep 22	3 years with 25% year 1, 25% year 2 and 50% year 3
Total issued to Board and Employees	4 645 000			
Not allocated options in program	355 000			
Total for the program	**5 000 000**			

[1] Of which the CEO holds 850 000 options with a strike price of 10.00 NOK.

Shares, subscription rights, warrants, options	Total	Issued	Exercise price	Proceeds if exercised
Issued shares as of 31 December 2022	53 533 395	53 533 395		
Share-based compensation	5 000 000	4 645 000	11.11	51 605 950
Total as of 31 December 2022	**58 533 395**	**58 178 395**		**51 605 950**

Issued shares as of 31 December 2022 amounted to 53 533 395 shares. With additional shares potentially subscribed for under Subscription rights scheme 1 and shares potentially exercised under the Share based compensation arrangement, the total number of shares potentially issued would 58 533 395 shares.

Note 13 Long term debt

Secured debt	31 Dec 2022	31 Dec 2021
Debt to financial institutions	23 000 000	-
Total	**23 000 000**	**-**

Booked value of secured assets	31 Dec 2022	31 Dec 2021
Plant and equipment	24 803 826	2 964 720
Accounts receivables	1 995 475	-
Total	**26 799 301**	**2 964 720**

Auditor's report

To the General Meeting of CO2 Capsol AS

RSM Norge AS

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Independent Auditor's Report

Opinion

We have audited the financial statements of CO2 Capsol AS (the Company) showing a loss of NOK 34 401 266. The financial statements comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 as required by relevant laws and regulations in Norway and the 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) are responsible for the other information accompanying the financial statements. The other information comprises 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 accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the other information. The purpose is to consider if there is material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated. We are required to report if there is a material misstatement in the other information. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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.

RSM

Auditor's Report 2022 CO2 Capsol AS

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 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

Oslo, 19 April 2023
RSM Norge AS

Arnfinn Osvik
State Authorised Public Accountant

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artbox.no