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STIESDAL FUEL TECHNOLOGIES A/S

VEJLEVEJ 270, 7323 GIVE

ANNUAL REPORT

1 JULY 2019 - 31 DECEMBER 2020

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 19 April 2021**

Kim Schønnemann Bøttkjær

CVR NO. 40 63 05 54

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COMPANY DETAILS

Company	Stiesdal Fuel Technologies A/S Vejlevej 270 7323 Give CVR No.: 40 63 05 54 Established: 1 July 2019 Registered Office: Give Financial Year: 1 July 2019 - 31 December 2020
Board of Directors	Kim Schønnemann Bøttkjær, chairman Carsten Risvig Pedersen Henrik Stiesdal Niels Olaf Ahrengot Peder Riis Nickelsen
Executive Board	Peder Riis Nickelsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Fælledvej 1 5000 Odense C
Bank	Nordea Bredgade 23 6920 Videbæk

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Stiesdal Fuel Technologies A/S for the financial year 1 July 2019 - 31 December 2020.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 31 December 2020.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Given, 19 April 2021

Executive Board

Peder Riis Nickelsen

Board of Directors

Kim Schønnemann Bøttkjær
Chairman

Carsten Risvig Pedersen

Henrik Stiesdal

Niels Olaf Ahrengot

Peder Riis Nickelsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stiesdal Fuel Technologies A/S

Opinion

We have audited the Financial Statements of Stiesdal Fuel Technologies A/S for the financial year 1 July 2019 - 31 December 2020, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act 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.

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 and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Odense, 19 April 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Bechsgaard Jørgensen
State Authorised Public Accountant
MNE no. mne31412

MANAGEMENT COMMENTARY

Principal activities

The principal activities comprise development of the SkyClean pyrolysis concept to enable biochar as a cost-efficient method for carbon capture as well as production of green carbon negative oil and gas from biomass residuals.

Development in activities and financial and economic position

The Company had development costs of DKK 2.57 m in the financial year and it is expected that an additional amount of DKK 50 m will have to be used to complete phase 1 of the development project. The financing hereof is expected from the Company's parent company, who has given a letter of support for the financial year 2021. In the parent company, an external investor has given a positive indication as regards a capital increase of DKK 300 to 400 m.

Danish Agriculture have shown huge interest in SkyClean and pyrolysis is an integral part of the Government's climate plan. A constructive collaboration has been established with the Danish Agriculture and Food Council. Besides the technical design of a commercial 20MW plant, a business plan has been drawn up with input from Cowi and Dall Energy. Moreover, an EA analysis has validated the socio-economic and climate value of SkyClean and compared this with alternative methods.

Management expects profitable operations in 2021, which is supported by budgets, market surveys and the general potentials of the technology.

The management considers the result of the year to be satisfactory.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

INCOME STATEMENT 1 JULY - 31 DECEMBER

	Note	2019/20 DKK
GROSS PROFIT		180.076
Staff costs.....	1	-410.037
OPERATING LOSS		-229.961
Other financial income.....	2	7.028
Other financial expenses.....	3	-41.669
LOSS BEFORE TAX		-264.602
Tax on profit/loss for the year.....	4	226.012
LOSS FOR THE YEAR		-38.590
PROPOSED DISTRIBUTION OF DIVIDEND		
Retained earnings.....		-38.590
TOTAL		-38.590

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 DKK
Development projects in progress and prepayments.....		2.567.362
Intangible assets.....	5	2.567.362
NON-CURRENT ASSETS.....		2.567.362
Deferred tax assets.....		57.589
Other receivables.....		586.527
Corporation tax receivable.....		168.423
Receivables.....		812.539
Cash and cash equivalents.....		997.187
CURRENT ASSETS.....		1.809.726
ASSETS.....		4.377.088
EQUITY AND LIABILITIES		
Share capital.....		500.000
Reserve for development costs.....		2.002.542
Retained earnings.....		-2.041.132
EQUITY.....		461.410
Trade payables.....		829.093
Debt to group enterprises.....		2.936.103
Other liabilities.....		150.482
Current liabilities.....		3.915.678
LIABILITIES.....		3.915.678
EQUITY AND LIABILITIES.....		4.377.088
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EQUITY

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 July 2019.....	500.000	0	0	500.000
Proposed profit allocation.....			-38.590	-38.590
Other legal bindings				
Capitalized development costs.....		2.567.362	-2.567.362	0
Tax on changes in equity.....		-564.820	564.820	0
Equity at 31 December 2020.....	500.000	2.002.542	-2.041.132	461.410

NOTES

	2019/20 DKK	Note
Staff costs		1
Average number of employees	1	
Wages and salaries.....	367.725	
Pensions.....	40.355	
Social security costs.....	1.278	
Other staff costs.....	679	
	410.037	
 Other financial income		 2
Group enterprises.....	7.028	
	7.028	
 Other financial expenses		 3
Group enterprises.....	34.677	
Other interest expenses.....	6.992	
	41.669	
 Tax on profit/loss for the year		 4
Calculated tax on taxable income of the year.....	-168.423	
Adjustment of deferred tax.....	-57.589	
	-226.012	

NOTES

		Note
Intangible assets		5
	Development projects in progress and prepayments	
Additions.....	2.567.362	
Cost at 31 December 2020.....	2.567.362	
Carrying amount at 31 December 2020.....	2.567.362	

The development costs in the year have been used for development of a SkyClean 2MW pilot plant and a concept for a commercial 20MW plant.

Management has huge expectations for the development project, which is supported by budgets, market surveys and the general demand in the world market for alternative green technologies.

Danish Agriculture have shown huge interest in SkyClean and pyrolysis is an integral part of the Government’s climate plan. A constructive collaboration has been established with the Danish Agriculture and Food Council. Besides the technical design of a commercial 20MW plant, a business plan has been drawn up with input from Cowi and Dall Energy. Moreover, an EA analysis has validated the socia-economic and climate value of Skyclean and compared this with alternative methods.

It is Management’s expectation that an additional amount of DKK 50 m will be required to complete phase 1 of the development project.

It is Management’s expectation that the development project can be commercialised from the financial year 2021 and contribute with a positive cash flow.

The Company has received a letter of support from the parent company for the financial year 2021 in relation provision of the financing required for the completion. In the parent company, an external investor has given a positive indication regarding a capital increase of DKK 300 to 400 m.

Based on the expectations for the future earnings, it is Management’s assessment that the development costs meet the requirements for recognition and measurement in the Financial Statements, and that the valuation of the development costs is proper.

Contingencies etc. **6**

Joint liabilities

The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group’s joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group’s joint taxable income is stated in the annual report of STIESDAL A/S, which serves as management company for the joint taxation.

Charges and securities **7**

The company has no charges and securities per. 31 December 2020.

ACCOUNTING POLICIES

The Annual Report of Stiesdal Fuel Technologies A/S for 2019/20 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared with the following accounting principles.

INCOME STATEMENT

Net revenue

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed assets are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.