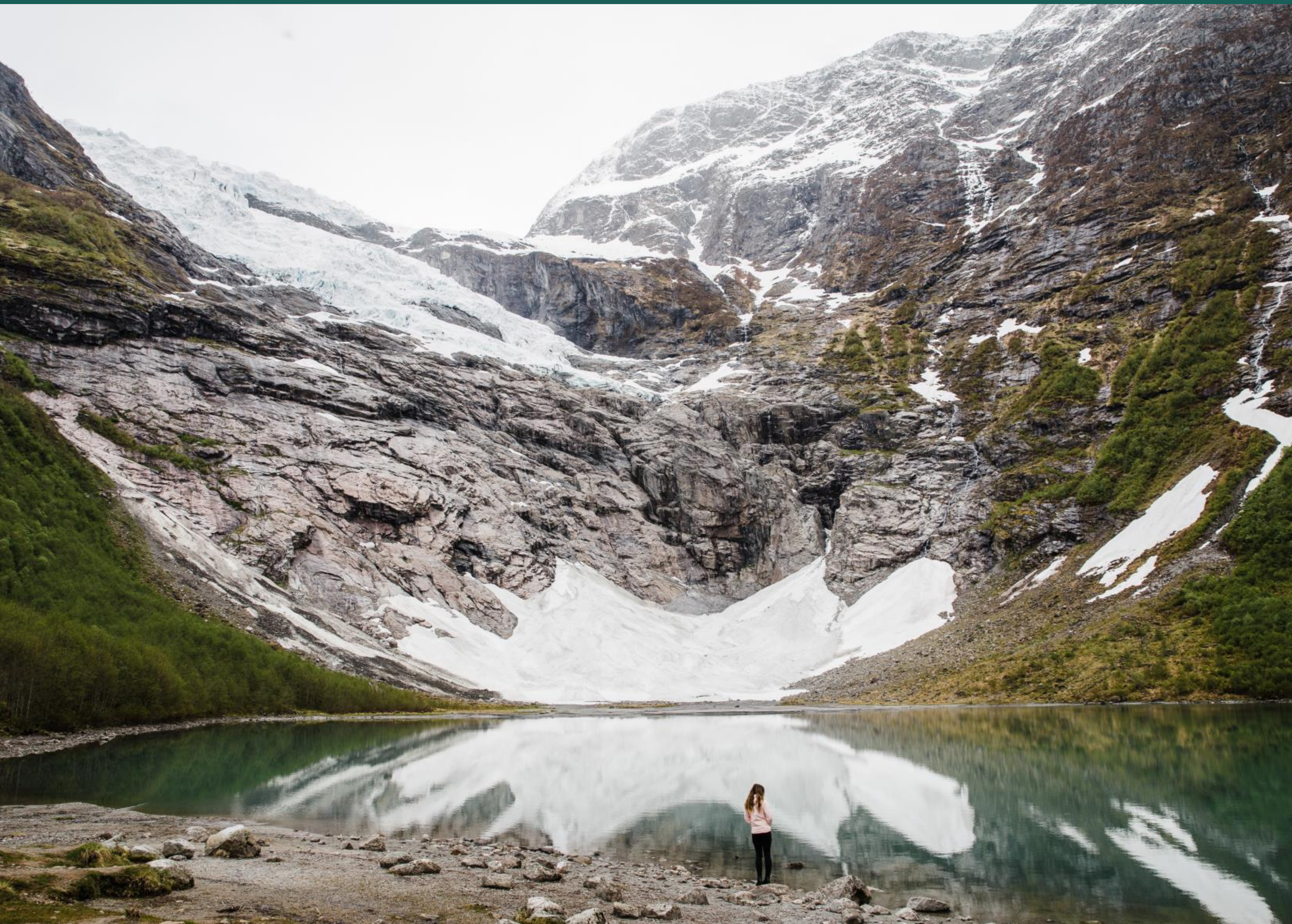
CARBON TRANSITION

2022 Annual Report



Contents

1 Board of Directors report

Operations and location

Carbon Group comprises Carbon Transition ASA (referred to as the “Company” or the “Parent”) and its subsidiaries (together referred to as the “Group” or “Carbon”). Carbon Transition ASA is a public limited investment company incorporated in Norway. The Company is listed on EURONEXT EXPAND OSLO and traded under the ticker CARBN. The Company’s registered main office is at Askekroken 11, 0277 Oslo, Norway.

Carbon Transition ASA has international liability insurance for the Board of Directors and management. The insurance coverage is up to MNOK 50 per year for total revenue of MNOK 612 and applies to the Parent company including subsidiaries.

The Group’s business model is an investment company. Carbon comprises an OBN multi-client company and an investment arm. The Group may invest broadly in listed companies as well as companies expected to be listed in the near term.

Carbon has a legacy seismic business operating under the name Axxis Geo Solutions. Under Axxis Geo Solutions, the Company manages a seismic OBN multi-client data library with assets in Norway and Egypt.

The ocean-bottom seismic contract node on a rope business was divested in March 2022 through an earnout agreement with Magseis Fairfield. Under the agreement, Carbon Transition received USD 0.5 million at closing and will receive earnout payments of up to a maximum of USD 12.0 million over the next three years, based on the use of the equipment. There is a minimum payment in year three of USD 1.5 million, subject to certain milestones.

During 2022, the Company reported multi-client late sales of USD 5.7 million and USD 5.5 million in 2021.

The seismic multi-client data business model is frequently the preferred way to access seismic data for petroleum exploration and production (E&P) companies. The seismic data is licensed by E&P companies to assist in the discovery and development of petroleum resources. The Group’s return on investment from its multi-client library is seen through the life span of the data; from its early stage with revenues coming from the pre-funding by E&P companies during the execution of the program, through subsequent late sales after the seismic images are processed and available.

The Group’s multi-client data is targeting near-field exploration, where production infrastructure is in place and where E&P companies need high-quality seismic data to unlock existing and new resources. In these production fields, oil and gas can be developed with lower cost, environmental impact and emissions.

In 2022, our multi-client business line, Axxis Multi Client, announced several milestones, such as the announcement of the Axxis/CGG reprocessing project and a significant late sale to existing client with a set of future milestone payments. Carbon expects these agreements to provide significant cashflow for the company going forward. The Axxis/CGG project will provide a steady quarterly revenue stream, and the milestone payments will follow the slightly lumpy nature of multi-client late sales revenues.

With a sustained high oil price (in the range $75-85 per barrel of oil equivalent), it is expected that both Norway and Egypt will continue to be considered highly attractive for new exploration expenditures by the E&P companies.

The Group expects the investment growth in exploration and development in our core areas to be durable and reinforced by the long-term demand outlook and supportive commodity prices.

The Group invested USD 2.0 million (NOK 20.0 million) in Dolphin Drilling AS in September 2022. The Group acquired 1,714,568 shares at a price of USD 1.17 per share.

The shares of Dolphin Drilling were listed on NOTC in Oslo and were moved to Euronext Growth in October 2022. The closing share price at the end of December 2022 was NOK 12.898, which values the Group's investment at USD 2.2 million (NOK 22.1 million).

The Group participated with USD 4.7 million (NOK 40.0 million) in CO_2 Capsol AS' equity private placement in October 2021. The Group acquired 3,636,363 shares at a price of NOK 11.00 per share.

The shares of CO_2 Capsol were listed on Euronext Growth in Oslo in December 2021. The closing share price at the end of December 2022 was NOK 11.50, which values the Group's investment at USD 4.2 million (NOK 41.8 million).

In August 2021, the Group invested approximately USD 1.7 million (NOK 15.2 million) to acquire 100,000 shares in the Series B equity private placement in the UK-based company, Power by Britishvolt Limited. In addition, Carbon Transition secured an option to acquire an additional 100,000 shares at the same price per share This option is valid until, and must be exercised in conjunction with, an initial public offering of the company. The Group's entry price into Britishvolt as well as the exercise price on the Group's Britishvolt options was GBP 12.68 per share.

The Group is currently valuing Britishvolt at GBP 0.0 per share which is based on the fact that the Company is under administration.

The estimated fair value of the Group's investment in Power by Britishvolt Limited is USD zero (NOK zero) at the end of December 2022.

The Group participated in Arbaflame AS' convertible bond offering in July 2021, with a total investment of USD 3.4 million (NOK 30.0 million). In December 2021, the convertible bonds were converted to 3,920,294 common shares in the company.

Arbaflame had an equity private placement in November 2022 at NOK 0.83 per share and the Group use this value. Based on this valuation, the estimated fair value of the Group’s investment in Arbaflame was USD 0.3 million (NOK 3.3 million) at the end of December 2022.

Total initial invested capital was USD 11.9 million. The fair value of the total investments was USD 6.8 million (NOK 67.2 million) at the end of December 2022.

Comments related to the financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union («EU»).

The notes are an integral part of the consolidated financial statements. The consolidated financial statements have been prepared on a historical cost basis. The financial statements of the subsidiaries have been prepared for the same reporting year as the Company, using consistent accounting policies.

The consolidated financial statements are presented in thousands of USD.

Presentation and functional currency

The Group presents its consolidated financial reports in USD. The Functional currency for the Group is USD.

Foreign Currency

Transactions in foreign currencies are translated to USD using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in non-functional currencies are translated into functional currency spot rate of exchange ruling at the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in non-functional currencies are recognized in the income statement.

Changes in accounting principles

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statement.

Consolidated statement of comprehensive income

Revenue

The 2022 Group's revenues of USD 7.3 million are lower than the previous year's revenues of USD 15.8 million. The 2022 revenues are late sales from multi-client Utsira project in the North Sea and Gulf of Suez project. The revenues for 2021 are mainly based on one exclusive node seismic contract in the UK of USD 9.0 million and late sales of USD 5.5 million from the multi-client Utsira project in the North Sea.

Changes in fair value for investments

Change in fair value for investment in 2022 was a loss of USD 13.4 million compared to a gain of USD 8.4 million in 2021. During 2022, the investment in Britishvolt has been written down to zero with USD 4.6 million, investment in Arbaflame has been written down with USD 3.1 million and listed companies have had negative market change of USD 5.7 million (CO2 Capsol AS and Dolphin Drilling AS).

Other gains and losses

Other gains in 2022 were USD 0.7 million compared to zero in 2021. The net gain is from the sales of the seismic node business to Magseis Fairfield in March 2022.

Operational cost

The 2022 Group's cost of sales (COS) amounted to USD 0.4 million compared to USD 10.4 million during the same period in 2021. The COS in 2022 reflects zero operation and downscaling and sale of the seismic node business, remaining is data processing and storage of remaining equipment. The COS in 2021 is mainly related to the UK project of USD 8.3 million and USD 1.9 million to warm stack/idle project.

Selling, general and administrative expenses

The 2022 Group's personnel expenses and other operating expenses amounted to USD 2.4 million compared to USD 6.6 million during the same period of last year. The reduction in 2022 is a result of downscaling of the seismic node business and downscaling of personnel. Various consultants fee was USD 2.3 million and remuneration for downsizing was 0.8 million in 2021.

Depreciation of tangible assets

The 2022 Group's depreciation and write downs of equipment were USD 0.6 million compared to USD 7.0 million in 2021. During 2022, the node seismic business was sold. There were no new investments in equipment in 2022 or 2021. During 2021, the vessel Neptune Naiad was sold with a net loss of USD 3.5 million.

Amortization of intangible assets

The straight-line amortization of the Utsira multi-client survey was changed from 4 to 10 years from 1 January 2022, which gave 8.5 years remaining amortization.

The Group's multi-client data in Gulf of Suez was finalized with processing in Q3 2022 and started amortization. The straight-line amortization of the Gulf of Suez multi-client survey is 4 years.

The straight-line amortization of multi-client was USD 3.9 million for 2022 compared to USD 7.3 million for 2021.

Impairment and write-up (reverse of impairment)

No impairment charges have been made in 2022 of the Utsira multi-client survey or the Gulf of Suez multi-client survey in Egypt.

During the first quarter of 2022, the Group reversed a portion of the 2019 and 2020 impairment and increased the Utsira survey carrying value with USD 5.6 million based on expectation for future late sales.

Further, in the fourth quarter of 2022, the Group made a write-up of USD 7 million which is reversal of previous impairment, a portion of the 2019 and 2020 impairment. The increased value of the Utsira survey is based on expectation for future late sales for the new reprocessing project of Utsira. Amortization of the reprocessing of Utsira will start amortization over 7.5 years from January 2023 with USD 233 thousand per quarter.

Financial items

Net financial expense was USD 98 thousand in 2022 compared to net financial income of USD 21.2 million in 2021. During 2022, financial expenses and currency exchange loss was offset by financial income. The Company completed a successful reconstruction during 2021. The financial income was mainly due to restructuring gain of USD 24.7 million during 2021, offset by financial expense and currency exchange loss of USD 3.4.

Income tax (expense)

The corporate income tax in Norway is 22% in 2022. Income tax revenue of USD 1.7 million compared to income tax expense of USD 0.2 million for 2021. The tax revenue in 2022 of USD 1.4 million is related to currency exchange rate of EGP in taxes in Egypt calculated into USD and refund from operations in India with USD 0.3 million. The tax expense for 2021 was related to UK, US and Egypt.

The Company has no deferred tax assets booked as of 31 December 2022. Tax loss carried forwards for 31 December 2022 is estimated at USD 43 million.

Profit for the period

For 2022, the Group had a profit of USD 1.4 million compared to a profit of USD 13.9 million for the same period in 2021.

Consolidated statement of financial position

As of 31 December 2022, the Company had total assets of USD 52.8 million, compared to total assets of USD 54.8 million as of 31 December 2021.

Total non-current assets of USD 47.3 million as of 31 December 2022 compared to USD 50.5 million as of 31 December 2021. This is attributed to multi-client library net adding USD 8.6 million and financial assets adding USD 3.0 million offset by net decrease in investment during 2022 of USD 11.4 million and a decrease of USD 3.4 million in fixed assets which includes the sale of the node business. There was no new investment or disposal in 2022.

Total current assets increased from USD 4.2 million as of 31 December 2021 to USD 5.4 million as of 31 December 2022. The increase is driven by an increase in other current assets receivable of USD 3.0 million related to Utsira late sales, offset by reduction in cash by USD 1.8 million. The Company's cash balance ended at USD 2.2 million on 31 December 2022.

The Group's equity was USD 47.7 million at the end of December 2022, representing a net increase of USD 0.9 million compared to 31 December 2021. The Group purchased its own shares of USD 0.5 million. In 2021, the Company completed the reconstruction in June and issued new shares valued at USD 5.1 million. Further the same year, a private placement and related repair offering in June and July of USD 19.6 million and in October an equity private placement of USD 3.2 million. The equity ratio is 90.3% as of 31 December 2022 compared to 85.3% as of 31 December 2021.

Total non-current liabilities reduced from USD 0.9 million as of 31 December 2021 to zero as of 31 December 2022, following the full repayment of the company's TGS loan during the first quarter of 2022.

Total current liabilities reduced from USD 7.2 million as of 31 December 2021 to USD 5.1 million as of 31 December 2022. Taxes payables is related to corporate tax in Egypt of USD 2.3 million which has not been settled. Additionally, other current liabilities decreased by USD 1.7 million in 2022. Other current liabilities include project related accruals for taxes in Egypt of USD 2.1 million. The Group's accrual for the Egyptian tax including corporate tax is uncertain and is not settled as of December 2022.

Consolidated statement of cash flow

The Group's cash flow from operating activities in 2022 was positive of USD 1.1 million compared to negative USD 9.6 million in the same period in 2021, mainly due to the Groups legal reconstruction process.

The Group’s cash flow from investment activities in 2022 was negative USD 2.0 million. USD 2.0 million due to the investment in Dolphin Drilling and USD 0.5 million for investment in own shares during the quarter offset by USD 0.5 million received from sale of the node business, compared to negative of USD 9.9 million in the same period for 2021 due to investments.

The Group’s cash flow from financing activities in 2022 was negative USD 1.0 million compared to positive USD 17.6 million in the same period in 2021. Repayment of the TGS loan during the first nine months of 2022 was USD 0.9 million. Cash outflow from financing activities for the same period of 2021 is mainly from new equity due to the Groups legal reconstruction process of USD 21.6 million offset by repayment of debt by USD 2.4 million and interest paid of USD 1.6 million.

Parent company

Carbon Transition ASA is the parent company of the Group.

In 2022, Carbon Transition ASA reported a profit after tax of USD 3.8 million compared to a profit after tax of USD 7.9 million in 2021. The decrease this year is significantly impacted by the reversal of intercompany receivables net of USD 11.7 million. Further write-down of shares in subsidiaries in 2022 with 5.1 million. Last year the profit was mainly due to gain from the restructuring of USD 24.1 million.

At year-end 2022, Carbon Transition ASA had total assets of USD 48.9 million compared to USD 45.4 million at the end of 2021. The increase is mainly due to increase in investment in shares net of USD 20.9 million and increase in financial asset adding USD 3.0 million due to the earn-out model, offset by reduction in intercompany receivables of USD 14.1 million and reduction of fixed assets by USD 3.4 million due to sale of the node equipment business. The bank ended with USD 0.9 million, down from USD 3.7 million last year.

As of 31 December 2022, Carbon Transition ASA has a total positive equity of USD 42.6 million, compared to a positive equity of USD 44.1 million at the end of 2021. The equity ratio ended at 87.2% as of December 2022 from 97.0% at the end of 2021.Total current liabilities has increased from USD 1.4 million as of December 2021 to USD 6.3 million as of December 2022 mainly due to year-end group contribution to and from the subsidiary Carbon Transition Investment AS net of USD 4.8 million.

Going concern

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. The board of directors and management believe that the Company has sufficient working capital for continued operation.

Risk factors

The Group is exposed to risk factors including, but not limited to, the factors described below. The Group's risk factors are described in more detail in note 15.

Market risk

The Group is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand for products and services provided by companies the Group invests in. The performance of the Axxis Geo Solutions is dependent on production and development spending by oil and gas companies. Historically, in times of low oil prices, demand for seismic data has been significantly reduced. The Group is also exposed to share price changes in listed investment or changes and fluctuations in estimated equity value for non-listed investments. There is also a risk that the companies that are invested in will need further capital in order to obtain profitability, and that such capital will be subject to reduced pricing for various reasons compared to the current level of pricing.

Credit risk

The Group is faced with credit risk in terms of deposits with banks as well as receivables due from counterparts. The Group may also invest in financial credit instruments and may in such instances assume credit risk. Delayed or loss of payments from these parties may adversely impair the Group's liquidity. The concentration of the Group's customers in the oil and gas industry may impact the Group's overall exposure to credit risk. The Group evaluates the credit quality of its counterparts to minimize the risk of payment delinquency, but no assurance can be given that the Group will be able to avoid this risk. During 2022, the Group did not experience any material receivables losses.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its payment obligations. The Group is dependent on liquidity from its investments, access to long-term funding and timely payments receivable from customers. There can be no assurance that available funding sources are accessible when needed nor can there be any assurance that the Group will be able to raise new equity or access alternative sources of funds should this be required. The Group continuously monitors its cash receipts and payment obligations to ensure sufficient liquidity to meet operational needs.

Foreign exchange risk

The Group' presents its consolidated financial report in USD, the functional currency for the Company and all subsidiaries. Currency exchange rates fluctuate for several reasons, including international balance of payments, economic and financial conditions, government intervention, speculation, and other factors. The Group is primarily exposed to USD, NOK and GBP, and fluctuations in foreign exchange rates may therefore impact earnings. The Group has not established hedging arrangements to mitigate the possible adverse effects of this exposure.

Climate risk

The Group is exposed to climate-related risks primarily associated with its legacy business. This business may face reduced customer demand as a result of a growing focus on more environmentally attractive alternatives. Given the strong demand for oil and gas, the Group does not evaluate this risk as high in the coming year.

This business may also be exposed to increasingly stringent environmental regulations. In light of the growing focus on energy security, the Group does not evaluate this to be a high risk in the coming year.

The Group is not invested in exploration and production companies. However, its investments in the oil and gas sector are contributing to the production of carbon emissions and the related effects on the environment. This could potentially be a risk for the Group's reputation in the investment community. The Group considers this to be a low risk in the coming year.

The Group also invests in companies which may be negatively impacted by increasingly stringent environmental regulations. The Group evaluates this risk prior to making any investment decision. However, increasing environmental regulations may have a significant adverse effect on the investment portfolio.

The Group may invest in companies which will need additional financing. To the extent such financing were not to be available, these investments may be significantly impacted.

Other business risk

Risk related to cyber criminality is increasing globally. This threat is relevant for all devices connected to the internet. In order to protect the Group's assets and intellectual property, additional precautions and procedures have been implemented. The Group has taken steps to identify ongoing malicious activities and increase employee awareness of cyber threats. Despite these efforts, no guarantee can be made against potential future cyber-attacks and any such attack could materially impact the Group's business and financial position.

The Group business is subject to laws and regulations in various jurisdictions. Changes in or violations of such laws or regulations may adversely affect the Group's business and profitability. The Group invests in financial and managerial resources to maintain compliance with these laws and regulations, and failure to do so could result in fines or penalties, enforcement actions, claims for personal injury or property damages, or obligations to investigate and remediate damages.

The Group's multi-client business relies on a period of exclusivity in controlling the distribution of the acquired data through licenses to customers. The exclusivity period granted by local authorities can typically be 10 years. Any change in the duration of such exclusivity may have a negative impact on the Company's revenues and may cause impairment of remaining book values.

The current conflict in Ukraine may have significant impact on prices of natural recourses as well as global capital markets. The recent oil price increase may have an impact on multi-client late sales. The volatility in the capital markets may have an impact on the Company's share price and the valuation of the Group's investments.

Research and development

The Group does no material research and development activity.

Allocation of Net Profit (loss)

The Board of Directors has proposed the profit for the Company of USD 38.8 million to be attributed to other equity. The Company's equity as of December 31, 2022, was USD 82.4 million.

Outlook

We expect oil and gas prices to remain relatively high in the foreseeable future. Improved profitability in the energy sector is expected to result in increased capital investment by the oil majors and the larger independents. Additionally, historical underinvestment in exploration and development is driving the need for investment. For 2023, capital investment by the oil majors is significantly increased. We expect the Group's multi-client library to benefit from this market dynamic.

Market volatility is expected to remain high, and this poses a risk for the investment portfolio. In light of the market uncertainty, we believe it is prudent to take a cautious approach to making additional investments. However, we will continue to evaluate new investment opportunities in line with our broader strategic focus.

Events after the reporting period

On 17 January 2023, the Group announced a new Utsira multi-client late sale of USD 0.5 million (net to the Carbon Transition).

Oslo, 30 March 2023

The Board of Directors and CEO of Carbon Transition ASA

Nina Skage Chair	Ketil Skorstad Director	Torstein Sanness Director

Nils Haugestad
Interim CEO

1.1. Responsibility statement

Confirmation from the Board of Directors and general manager

The Board of Directors and the CEO of Carbon Transition ASA have today considered and approved the annual report and financial statements for the 2022 calendar year ended on December 31, 2022.

We confirm, to the best of our knowledge, that:

- The 2022 financial statements for the Group and Parent company have been prepared in accordance with all applicable accounting standards.
- The information provided gives a true and fair view of the Group's and Parent company's assets, liabilities, financial position and results.
- The Board of Directors report provides a true and fair overview of the development, performance and financial position of Carbon Transition ASA and the Group together with a description of the principal risks and uncertainties that they face.

Oslo, 30 March 2023

The Board of Directors and CEO of Carbon Transition ASA

Nina Skage Chair	Ketil Skorstad Director	Torstein Sanness Director

Nils Haugestad
Interim CEO

2 Environment, Social and Governance reporting (ESG)

The Group's business model is an investment company. Carbon comprises an OBN multi-client company and an investment arm. The Group may invest broadly in listed companies as well as companies expected to be listed in the near term.

Carbon has a legacy seismic business operating under the name Axxis Geo Solutions. Under Axxis Geo Solutions, the Company manages a seismic OBN multi-client data library with assets in Norway and Egypt.

Axxis Geo Solutions is considered a passive investment of the Company. There have not been any operations in 2022 since the Group sold its seismic node on a rope business to Magseis Fairfield ASA in March 2022. As a result, the Group's ESG focus is largely targeting Carbon Transition's investment business.

The Group is exposed to climate-related risks primarily associated with its legacy business as well as investments. These businesses may face reduced customer demand as a result of a growing focus on more environmentally attractive alternatives. Given the strong demand for oil and gas, the Group does not evaluate this risk as high in the coming year.

These businesses may also be exposed to increasingly stringent environmental regulations. In light of the growing focus on energy security, the Group does not evaluate this to be a high risk in the coming year.

The Group is not invested in exploration and production companies. However, its investments in the oil and gas sector are contributing to the production of carbon emissions and the related effects on the environment. This could potentially be a risk for the Group's reputation in the investment community. The Group considers this to be a low risk in the coming year.

Stakeholders

	Employees	Investors	Customers	Suppliers	Community
Key topics	* Engagement, commitments * Climate, environmental impact *Training	* ESG risks, opportunities * Corporate governance * Main business drivers	* Climate environmental protection *Human rights and decent working conditions	* Climate environmental protection *Human rights and decent working conditions	*Climate envorironmental impact * Anti-corruption * Human rights and labor regulations
Channels and activity	* Management communication * Anti-corruption course * Corporate policies for health and safety, ethics and social responsibility	* Annual report, quarterly reports * Company presentations * Press releases * Investor meetings	* Customer meetings * Regular dialogues	* Compliance with transparency act of supply chain	* Company presentations

Materiality assessment overview

	Strategic topics	Strategic ambition	Material topics	What the topic covers	Why the topic is material	Topic boundary
Enviromental	Decarbonization and green growth	Partly invest in companies which contribute to reduction of carbon emissions	Decarbonization and green investments	Reduce, reuse and recycle to minimize rescource use	Pollution, stronger environmmental focus, requirements and regulations	CT Group, customers, suppliers and partners
Social	Health and safety, equality and diversity	Engaging and safe workplace with no harm to the employees	Human rights and employment condition, equality and diversity	Investing in human capital. Respect and protcection of human rights. Respect and protection of equal opportunities.	To meet current and future demand for empoloyees. To acctract the best talent. Respect and protection of working conditions, equal treatment and non-discrimination practices.	CT group, customers, suppliers and partners
Governance	Compliance and supply chain	Be a responsible, trusted and compliant value chain partner.	Compliance, supply chain management, responsible owenership	Anti-corruption, supplier monitorinig, sustainable investments and active ESG ownership	Eliminate corruption in the value chain and support fair trade. ESG evaluation of suppliers and investment portfolio	CT group, customers, suppliers and partners

Environmental

The Group is committed to protecting people and the environment. As stewards of the environment, it is the collective responsibility of the Group and our people to protect the environments that we work in. The Group's intent is to conduct our business in harmony with the environment and to minimize any impact our business may have.

The Group has implemented a series of performance indicators which we believe will ensure our focus on environment, social and governance factors. These performance indicators are in line with the guidelines put in place by the board of directors. Management's performance evaluation will in part be based on meeting targets for these indicators.

The indicators will be presented under each belonging chapter below, first indicators are for environmental.

The Group measures three indicators with respect to Carbon Transition financial investments.

- To the extent the investment relates to the energy transition sector, the investment should generally contribute significantly to the reduction in carbon emissions and/or the development of green technology.
- Investment companies should have reasonable environment, social and governance guidelines in place.
- Appropriate corporate governance policies should have been implemented.

Target 2022	**Result 2022**	**Target 2023**
To the extent the investment relates to the energy transition sector, the investment should generally contribute significantly to the reduction in carbon emissions and/or the development of green technology.	N/A	Maintain 2022 target
Investment companies should have reasonable environment, social and governance guidelines in place.	100%	Maintain 2022 target
Appropriate corporate governance policies should have been implemented.	100%	Maintain 2022 target

Result for 2022
The Group had one new investment in 2022, Dolphin Drilling AS, where the investment fulfilled the last two targets. The first target is not applicable as the investment does not relate to the energy transition sector.

Social

People

The Group is committed to ensuring a safe and respectful working environment for its employees. The health and wellbeing of our people is the key to the Company’s success. Equality applies to all practices and guidelines relating to the recruitment process and hiring of all workers. We respect and protect the fundamental human and workers’ rights in a manner consistent with laws and regulations.

The Group promotes a healthy workplace by prohibiting discrimination due to gender, race, age, ethnicity, disability, sexual orientation, or religion and provides fair compensation for employees’ work. Respect for the individual is a cornerstone of the Group’s operation.

The total number of permanent employees in the Group was four at the end of 2022, compared to nine at the end of 2021. The Group employed two women and two men in 2022 and three women and six men in 2021. One employee was on parental leave both in 2022 and in 2021. The Group has no one part-time employee at 50% from August 2022.

The Board of Directors consists of three members at the end of 2022, one woman and two men. At the end of 2021, the board consisted also of one woman and two men and.

There have not been any significant personnel injuries or accidents in the current or prior year. In 2021 the average sick day percentage for the work force was 0.6 percent. The average sick day percentage for the work force was zero in 2021.

The following indicators are applied to evaluate the Group's effectiveness in managing its people.

- The Group targets absence due to illness of less than 2%.
- All recruitment processes and hiring decisions need to be based on the Group's standards for equal treatment.

Target 2022	**Result 2022**	**Target 2023**
The Group targets absence due to illness of less than 2%.		Maintain 2022 target
All recruitment processes and hiring decisions need to be based on the Group's standards for equal treatment.	N/A	Maintain 2022 target

Result for 2022
The Group fulfilled the target for illness in 2022, with 0.6 %.
The second target is not applicable since there has not been any new hiring in 2022.

Governance

Corporate governance

The board and management have an annual review of the Group's principles of corporate governance. In this review, the Group clarifies the division of roles between shareholders, the board and management. A review of these principles and how the Group has aligned itself is described in a separate section in the annual report, in accordance with the Accounting Act § 3-3 b regarding corporate governance.

The Company has adopted ethical guidelines for the Group. The purpose of the guidelines is to create a healthy corporate culture and preserve the Group's integrity by helping employees to set a high standard of good business practice. Furthermore, the guidelines are intended as a tool for self-evaluation and for the development of the Group's identity.

Corruption

The Group is committed to prevent bribery, illegal influence, fraud and money laundering. The Group achieves this through committing to operating all activities within the spirit and letter of laws and regulations that govern our businesses and employees. Employees must exercise the highest level of integrity, ethics and objectivity in any actions and relationships which may affect the Group. Employees must not misuse their authority or influence of their positions in these relationships. The Group shall strive for a clear culture of openness around all matters regarding customer care, relationship building, sponsorship, gifts, representation, travel, etc

The following indicators are applied to evaluate the Group’s effectiveness in managing its corporate governance and corruption.

- All employees should complete an anti-corruption course not less than once per year.
- All employees should confirm reading the corporate policies: Health and safety, Ethics and Social responsibility.

Target 2022	**Result 2022**	**Target 2023**
All employees should complete an anti-corruption course not less than once per year.	100%	Maintain 2022 target
All employees should confirm reading the corporate policies: Health and safety, Ethics and Social responsibility.	100%	Maintain 2022 target

Result for 2022
All employees completed both targets in 2022.

3 Corporate governance

CORPORATE GOVERNANCE POLICY

Adopted by the Board of Directors on 30 March 2023

SCOPE AND APPLICABILITY OF THE POLICY

These Corporate Governance Policies (the "**Policies**") have been adopted by the Board of Directors (the "**Board**") of Carbon Transition ASA (the "**Company**") to express the corporate governance principles by which the Company conducts its business. The Policies apply to the Company and its consolidated subsidiaries (together the "**Group**") and will be evaluated by the Board and the Company's executive management (the "**Management**") annually.

The Company is incorporated in Norway in accordance with the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (the "**NPLCA**") and is subject to Norwegian law. Hence, the reporting requirements on corporate governance set forth in Section 3-3b of the Norwegian Accounting Act of 17 June 1998 no. 56 (the "**Norwegian Accounting Act**") and the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board on 14 October 2021, as amended from time to time (the "**NUES Code**"), apply to the Company. As the Company's shares are listed on Euronext Expand Oslo, the Company is also subject to the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**NSTA**") and the continuing obligations of stock exchange listed companies issued by the EURONEXT EXPAND OSLO (the "**Continuing Obligations**"). These Policies are secondary to provisions set out in law, in regulations made pursuant to law, and in the Company's articles of association (the "**Articles of Association**").

These Policies shall apply until the Board decides otherwise.

MAIN OBJECTIVES FOR THE COMPANY'S CORPORATE GOVERNANCE

The Board shall ensure that the Company has good corporate governance to, inter alia, support achievement of the Company's core objectives on behalf of its shareholders and to create a strong, sustainable company. The Board believes that good corporate governance involves openness and a trustful cooperation between the shareholders, the Board and the Management, employees, customers, suppliers, public authorities and society in general.

The Company endorses the NUES Code. The NUES Code is based on a "comply or explain" principle, which involves that listed companies must comply with the NUES Code or explain why an alternative approach has been chosen. The Company will comply with the NUES Code, and any deviations will be listed below.

The Company's corporate governance policies are based on the following main objectives:

a. Open, reliable, and relevant communication with the outside world regarding the Company's business and matters related to corporate governance
b. Equal treatment of the Company's shareholders
c. Independence between the Board, the Management and the shareholders in order to avoid conflicts of interests
d. A clear division of work between the Board and the Management and the shareholders
e. Good control and corporate governance mechanisms in order to achieve predictability and reduce the level of risks for shareholders and stakeholders.

In addition to these Policies, the Company has adopted the following internal manuals:

A Code of Conduct for Business, Ethics and Corporate Social Responsibility Instructions to the Board, and Instructions to the Chief Executive Officer ("**CEO**").

The above-mentioned internal manuals form an integral part of the Company's corporate governance policies.

THE BUSINESS OF THE COMPANY

The operations of the Company shall be in compliance with the business objective as set forth in § 3 of the Articles of Association, which reads as follows:

> "Carbon Transition is an investment company with a strategy to invest in companies and technologies which contribute to significant reductions of carbon emissions. The Company may also invest more broadly in the energy transition space. In addition, the Company has a legacy seismic business operating under the name Axxis Geo Solutions. Axxis Geo Solutions manages a seismic multi-client data library."

The Board will at the Annual General Meeting 25 May 2023 propose new business objective set forth in § 3 of the Articles of Association, which will reads as follows:

> "Carbon Transition is an investment company. The Company comprises an OBN multi-client company and an investment arm. The company may invest broadly in listed companies as well as companies expected to be listed in the near term."

The Board shall define clear objectives, strategies, and risk profiles for the Company's business activities such that the Company creates value for shareholders in a sustainable manner. When carrying out this work, the Board shall take into account financial, social and environmental considerations. The Company shall have Policies for how it integrates the interests of the society at large into the value creation, please refer to the Code of Conduct for Ethics, Health and Safety and Corporate Social Responsibility. The Board shall at least on an annual basis evaluate targets, strategies and risk profiles.

Deviation from the code of Practice: None

EQUITY AND DIVIDENDS

Equity

The Board shall ensure that the Company's capital structure is in line with its goals, strategy and risk profiles, and in accordance with the applicable laws and regulations.

Dividends

The Board proposes any distribution of dividends to the general meeting. The general meeting determines any distribution of dividends in accordance with Section 8-1 and Section 8-2 of the NPLCA. The grounds for any proposal to authorize the Board to approve the distribution of dividend shall be explained. The Board shall establish a clear and predictable dividend policy, which shall be available on the Company's website. The Board will consider share repurchase if more attractive for our shareholders. Annual General Meeting in May 2022 approved repurchase of own shares.

Board authorizations

Any proposed authorizations to the Board to increase the Company's share capital shall be restricted to defined purposes and shall be dealt with as separate agenda items at the general meeting. Board authorizations shall be limited in time to the date of the next annual general meeting, and in any event to 30 June the same year. This also applies to any authorization to the Board for the Company to purchase own shares.

Deviation from the code of Practice: None

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment of shareholders

All shareholders shall be treated on an equal basis, unless there is a just cause for treating them differently in accordance with applicable laws and regulations. In the event of an increase in share capital of the Company through issuance of new shares, a decision to waive the existing shareholders' pre-emptive rights to subscribe for shares shall be justified. If the Board resolves to issue new shares and waive the pre-emptive rights of existing shareholders pursuant to a Board authorization granted by the general meeting, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the shares issue. The reasons for any deviation from equal treatment of all shareholders in capital transactions will be included in the stock exchange announcement made in connection with the transaction.

Any transactions carried out by the Company in the Company's own shares shall be carried out through the EURONEXT EXPAND OSLO and in any case at prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of shareholders. Any transactions in own shares will be evaluated in relation to the rules on the duty of disclosure, as well as in relation to the prohibition against illegal insider trading and market manipulation, the requirement for equal treatment of all shareholders, and the prohibition of unreasonable business methods.

Transactions with close associates

Any transactions, agreements or arrangements between the Company and shareholders; a shareholder's parent company; members of the Management or close associates of any such parties, may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall where relevantly comply with the procedures set out in the NPLCA. The Board shall obtain an independent third-party evaluation, unless the transaction, agreement or arrangement in question is considered to be immaterial or covered by the provisions of section 3-16 of the NPLCA.

Deviation from the code of Practice: None

SHARES AND NEGOTIABILITY

There shall be no limitation with respect to any party's ability to own, trade or vote for the Company's shares. The Articles of Association contain no restrictions on negotiability of the shares.

Deviation from the code of Practice: None

GENERAL MEETINGS

Exercise of rights

The Board shall ensure that the Company's shareholders can participate at general meetings. This shall be facilitated by the following:

- the Board shall ensure that the Company's shareholders can participate in the general meeting
- The proposed resolutions and any supporting documents shall be sufficiently detailed, comprehensive, and specific allowing shareholders to understand and form a view on all matters to be considered
- The deadline for shareholders to give notice of their attendance at the general meeting shall be no later than two business days prior to the date of the general meeting in accordance with the Articles of Association
- Shareholders who cannot attend the meeting in person will be given the opportunity to vote. The Company will design the form for the appointment

of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders
- The Board and the chair of the general meeting shall ensure that the shareholders are able to vote separately on each individual matter, including on each individual candidate nominated for election to the Board and other corporate bodies (if applicable)
- The Chair of the Board shall be present at general meetings, as well as the auditor should be present at general meetings where matters of relevance for such committees/persons are on the agenda, and
- The Board shall make arrangements to ensure that the chair of the general meeting is independent.

Participation without being present

Shareholders who are unable to attend the general meeting shall according to the Company's articles of association shall be given the opportunity to vote in writing and/or vote electronically in a period before the general meeting in accordance with the NPLCA Section 5-8. Furthermore, shareholders who are unable to attend the general meeting in person shall be given the opportunity to vote by proxy. In this respect, the Company shall:

- Provide information in the notice to the general meeting on the procedure for attending by proxy
- Nominate a person who can act as a proxy for shareholders and
- Prepare a proxy form, which shall, insofar as possible, be set up so that it is possible to vote on each individual item on the agenda and candidates that are nominated for election.

Deviation from the code of Practice: None

NOMINATION COMMITTEE

The Articles of Association of the Company require it to have a Nomination Committee.

The Nomination Committee shall consist of up to 3 members elected by a Shareholders Meeting for a period of up to 2 years at the time, unless the Shareholders Meeting decides a shorter period. The Nomination Committee shall make recommendation and prepare proposals to the Shareholders Meeting for:

- Election of members of the Board of Directors and remuneration of the Directors and any Board Committees
- Election of the Nomination Committee and remuneration of the Nomination committee

The proposals shall be made available no later than 21 days prior to the Shareholders' Meeting.

The Nomination Committee shall meet at least annually with the Board of Directors, the executive management, and the CEO, and shall consult with selected shareholders to ensure that the Nomination Committee have their support.

Deviation from the code of Practice: None

BOARD COMPOSITION AND INDEPENDENCY

The Board shall be composed in a way that it can (i) attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity and (ii) act independently of special interests. The majority of the shareholder-elected Board members shall be independent of the Management and significant business contacts. At least two of the members of the Board shall be independent of the Company's major shareholder(s).

For the purposes of these Policies, a *major shareholder* shall mean a shareholder who owns or controls more than 10% 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 an independent assessment of the person in question. The Board shall not include members of the Management.

The Chair of the Board is elected by the general meeting. The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected.

The Company's annual report shall provide information regarding the expertise of the members of the Board, as well as information on their history of attendance at board meetings. Further, the annual report shall identify the members of the Board that are considered to be independent. Members of the Board are encouraged to own shares in the Company.

Deviation from the code of Practice: None

THE WORK OF THE BOARD

General

The Board has implemented instructions for the Board and the Management, focusing on determining a clear allocation of internal responsibilities and duties. The respective objectives, responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Company and are described in the Company's "*Instructions for the Board*" and "*Instructions for the CEO*".

The Board shall ensure that the members of the Board and the members of the Management make the Board aware of any material interests that they may have in matters to be considered by the Board.

The Board's consideration of matters of a material character in which the Chair of the Board is, or has been, personally involved, shall be chaired by another member of the Board to ensure a more independent consideration of the matter in question.

In 2022, there were 14 board meetings where the following was participating;

Gisle Grønlie 6 of 7 meetings
Nina Skage 13 of 14 meetings
Torstein Sanness 12 of 14 meetings
Ketil Skorstad 4 of 7 meetings (personal deputy was attending 1 of the missing meeting)

Board committees

The Board has an audit committee (the "**Audit Committee**"), which is a working committee for the Board, preparing matters and acting in an advisory capacity. The duties, tasks and composition of the Audit Committee shall be in compliance with the NCPLA. In particular, the Audit Committee shall act as a preparatory body and support the Board in the exercise of its responsibility relating to financial reporting, auditing, internal controls, compliance with ethical Policy such as Environmental, Social and Governance ("**ESG**"). .

The members of the Audit Committee are elected by and amongst the members of the Board for a term of up to two years. The entire Board shall not act as the Company's Audit Committee. At least one member of the Audit Committee should be competent in respect of finance and audit, and the majority of the members should be independent of the Company. The mandate of the Audit Committee is subject to annual revision.

The Company has not appointed a remuneration committee. A remuneration committee has not been deemed to be of importance by the Board. The Board has decided to maintain a simple and cost-effective governance structure. The Board will determine the remuneration and compensation scheme of the Company in accordance with applicable law.

The Board shall provide details in the annual report of the Audit Committee and any other board committees, if appointed.

Deviation from the code of Practice: None

RISK MANAGEMENT AND INTERNAL CONTROL

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Group's business activities.

The Board shall carry out an annual review of the Group's most important areas of exposure to risk and its internal control measures. The review shall pay particular attention to:

- Changes relative to previous years' reports in respect of the nature and extent of material risks and the Company's ability to cope with changes in its business and external changes

- The extent and quality of the Management's routine monitoring of risks and the internal control system and, where relevant, the work of the internal control function
- The extent and frequency of the Management's reporting to the Board on the results of such monitoring, and whether this reporting makes it possible for the Board to carry out an overall evaluation of the internal control situation in the Group and how risks are being managed
- Events of material shortcomings or weaknesses in internal control that come to light during the course of the year which have, could have, or may have had a significant effect on the Group's financial results or financial standing and
- How well the Company's external reporting process functions.

Based on the instructions by the Board, the CEO shall implement internal control measures and propose the same to the Board.

The CEO shall effectuate internal control measures on the basis of the instructions by the Board and report the results to the Board annually in accordance with the Board's annual plan. The report to the Board shall provide a balanced presentation of all material risks and how such risks are handled through the internal control measures of the Company.

The main areas of internal control related to financial reporting shall be described and included in the corporate governance report or in the annual report to be prepared by the Board pursuant to Section 3-3b of the Norwegian Accounting Act and the Continuing Obligations. This account should include sufficient and properly structured information to make it possible for shareholders to understand how the Company's internal control system is organized. The account should address the main areas of internal control related to financial reporting. This includes the control of environment, risk evaluation, control activities, information and communication and follow-ups.

Deviation from the code of Practice: None

BOARD REMUNERATION

The remuneration to the members of the Board shall be determined by the annual general meeting each year. The Board's remuneration shall reflect the Board's responsibility, expertise, use of time and the complexity of the Company's business activities. Remuneration shall not be dependent on or linked to the Company's performance.

If any Board member has received remuneration above the standard Board member fee, this shall be specified in the annual report.

Deviation from the code of Practice: The Company has granted options to the Board of Directors in 2021.

EXECUTIVES REMUNERATION

The Company has prepared a policy for determining remuneration to the CEO and other executive members in accordance with Section 6-16a of the NPLCA, which is considered to be clear and easily understandable. The Policy shall, at all times, support prevailing strategy, long-term interests, financial sustainability and values of the Company.

The total remuneration to the CEO and other executive members consists of basic salary (main element), benefits in kind, variable salary, pension, and insurance schemes.

Performance-related remuneration to the executive members in the form of share options, bonus programs or similar shall be linked to value creation for shareholders or the Company's profit over time. Such arrangements, including warrants and share option arrangements, shall incentivize performance and be based on quantifiable factors that the executive member in question may influence. Such performance-related remuneration will ordinarily be subject to an absolute limit.

The Board prepares Policy for the remuneration of executive members. Such Policy shall include the main principles for the Company's remuneration policy and shall contribute to aligning the interests of the shareholders and the executive members. These Policies shall be communicated to the annual general meeting, and it shall be clearly stated which aspects of the Policies that are advisory and which, if any, are binding. The general meeting shall vote separately on each of these aspects of the Policy.

Deviation from the code of Practice: None

INFORMATION AND COMMUNICATIONS

Financial reporting and communication

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Reporting must fulfil statutory requirements and provide sufficient information to allow the Company's stakeholders to form as accurate a picture of the business as possible. The Company shall report in accordance with the provisions of the NSTA, as well as the requirements pursuant to the Continuing Obligations.

The Company shall at all times provide its shareholders, Euronext Expand Oslo and the financial market in general with timely and precise information. Such information will be given in the form of annual reports, quarterly reports, press releases, stock exchange announcements and investor presentations. The Company's report on corporate social responsibility shall be integrated in the annual report. The Board has established Policy for the Company's reporting of financial and other information.

The Company shall each year publish a financial calendar with details of the dates of important events such as the general meeting, publication of interim reports, open presentations, and payment of the dividend.

The Board has adopted routines for, inter alia and the handling of inside information.

Information to the Company's shareholders

In addition to the Board's dialogue with the Company's shareholders at general meetings, the Board should make suitable arrangements for shareholders to communicate with the Company at other times in order to facilitate an understanding of which matters affecting the Company from time to time and which are of particular concern to the Company's shareholders. Communication with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in consideration of the principles of transparency and equal treatment of the Company's shareholders.

Information to the Company's shareholders shall be published at the Company's website at the same time as it is sent to the shareholders.

Deviation from the code of Practice: None

TAKE-OVERS

Although it is recommended by the NUES Code, the Board has not established separate Policy on how to respond in the event of a take-over bid, but will comply with the following principles should such event occur:

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

a. shareholders in the Company are treated equally
b. shareholders are given sufficient information and time to form a view of the offer
c. the Group's business activities are not disrupted unnecessarily
d. the bid is not hindered or obstructed by the Board unless there are reasons to do and that
e. in case the bid is made for the Company's shares, no authorizations or resolutions are exercised or made by the Board with the intention to obstruct the take-over bid unless this is approved by the general meeting subsequent to the announcement of the bid.

With respect to any agreements entered into by the Company and a bidder, the following principles shall apply:

a. An agreement limiting the Company's ability to arrange other bids for the Company's shares shall only be entered into if it is self-evident that such agreement is in the Company and the shareholders' common interest. This shall also apply to any agreement on financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the cost the bidder has incurred in making the bid.
b. An agreement that is material to the market's evaluation of the bid shall be disclosed no later than at the same time as the announcement that the bid will be made is published.

c. Any transaction that *de facto* is a disposal of the Company's activities shall be decided by the general meeting.

If an offer is made for the Company's shares, the Board shall issue a statement recommending its shareholders to accept or decline the offer. The Board's statement shall make it clear whether the views expressed are unanimous, and if such is not the case, explain the basis on which specific members of the Board have excluded themselves from the statement. The Board shall ensure that an explained valuation of the offer is prepared by an independent expert, which shall be disclosed no later than at the time of the disclosure of the Board’s statement.

Deviation from the code of Practice: None

AUDITOR

The Board shall ensure that the auditor annually submits the main features of the plan for the audit of the Company to the Audit Committee.

The auditor shall participate in Board meetings dealing with the annual accounts, where it shall

a. report on any material changes in the Company's accounting principles and key aspects of the audit
b. comment on any material estimated accounting figures and
c. report all material matters on which there has been disagreement between the auditor and the Management (if any).

The Audit committee shall at least once a year review the Company's internal control procedures with the auditor, including identified weaknesses by the auditor and proposals for improvements.

Deviation from the code of Practice: None

4 Transparency Act

This statement represents Carbon Transition due diligence pursuant to section 5 in the Norwegian Act related to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act). The transparency Act entered into force on 1 July 2022.

The reporting period covered in this report is from 1 January 2022 to 31 December 2022.

There is a general desire for more transparency regarding the production of goods and the provision of services, especially relating to how businesses respect fundamental human rights and decent working conditions. It is hoped that the Act will lead to improvements in these areas and that the information available will allow consumers to make more informed choices.

Operations and locations

Carbon Transition ASA is a public limited investment company. The Company's registered main office is at Askekroken 11, 0277 Oslo, Norway. Carbon comprises an OBN multi-client company and an investment arm. The Company may invest broadly in listed companies as well as companies expected to be listed in the near term.

Carbon has a legacy seismic business operating under the name Axxis Geo Solutions. Under Axxis Geo Solutions, the Company manages a seismic OBN multi-client data library with assets in Norway and Egypt.

The Company makes investment decision based on Board of Directors (BoD) resolutions according to the Group's corporate governance.

The Group's investment strategy is reviewed together with the BoD and is executed by the management team.

Responsibility

The BoD is responsible for the Company's implementation of applicable laws and regulations, including the Transparency Act.

All employees in Carbon Transition ASA have a responsibility to protect human rights and decent working conditions.

If Carbon causes, contributes to or is linked to adverse impacts on human rights, the Company will take necessary steps to cease, prevent and/or mitigate the adverse impacts.

Vendors of Carbon

There are two categories of vendors;

1) Vendors with a material value chain and subcontractors
2) Vendors without a material value chain and primarily delivering their own services or goods, not relying in a significant way on subcontractors

In 2022 Carbon categories their vendors as follows:

a) vendors from Axxis multi-client business
b) vendors from the investment business
c) vendors from being a listed company and general office services

A. Vendors from Axxis muti-client business

Carbon did not have new multi-client project or any processing in 2022. The Utsira survey was finalized in 2020. The Gulf of Suez survey in Egypt was finalized in Q3 2022, but the reprocessing was performed by the Company's business partner, Schlumberger. Schlumberger is following their own transparency requirements and Carbon did therefore not do any further due diligence on this vendor.

The multi-client data is stored electronically and the vendor providing this service does not significantly rely on third parties for data storage.

B. Vendors from the investment business

The investment in 2022 was in a listed company at Euronext Oslo.

C. Vendors from being a listed company and general office services

The vendors for the Group are only business partners, as they are not generally dependent on sub-contractors in delivering their services. The Group works with a number of business partners which generally provide consulting services, IT solutions, office services, insurance, pension, capital markets and other services.

After the review of the Group's three categories of vendors the Group classified all their vendors as business partners.

These business partners are evaluated as low risk in accordance with the evaluation criteria outlined in the table below. In 2022, the Group had 53 vendors which were evaluated according to the following criteria;

Provision of services	Services from vendors in Norway	Services from vendorsers in EU/EA	Services from vendorss in US	Services from vendors in Egypt
Production of goods	Production of goods from Norway	Production of goods from EU	Production of goods from US	Production of goods from Egypt
	Delivered in Norway, EU/EA or low-cost country	Delivered in EU/EA, US or low-cost country	Delivered in US, EU/EA or low-cost country	Delivered in Egypt or low-cost country

To determine potential adverse impacts on human rights and decent working conditions a combination of the following factors was evaluated; vendors locations and country of origin, industry of the vendor, the spend values, knowledge of the vendor and web search.

All vendors were then evaluated according to low, medium or high risk for both human rights violation and breach of working conditions.

Result for 2022 evaluation

After review of the 53 vendors, 4 of the vendors in Egypt ended on medium risk due to locations and country of origin. Following further investigation of these vendors through web searches and knowledge of worldwide consulting services, the Group assessed the risk as acceptable for all four vendors in Egypt.

Consequence if negative risk by any of the vendors

If there had been any negative risk on any vendor after the assessment, the Group would have tried to change to a “green vendor”, if possible.

If it would have been difficult to change and use another vendor, the Group would have contacted the vendor for more information about the vendor’s actions to avoid human rights violation and avoid breach of working conditions in their company. Based on this review, a conclusion would have been made.

Going forward

The Group intends to continue its vendor evaluation policies in line with the structure highlighted above. The Group performs periodic evaluations to make sure its vendors have an acceptable status. All new vendors will be separately evaluated.

The Company recognizes that risk of adverse impact on human rights cannot categorically be ignored based on the above risk-reducing factors alone, and therefore considers regular risk assessment and continuous monitoring to be important to prevent, detect and respond to potential adverse impacts on human rights.

5 Consolidated financial statement Carbon Transition Group

5.1. Consolidated statement of comprehensive income

USD thousands	Note	2022	2021
Revenue	3,4	**7 258**	**15 816**
Changes in fair value of investments (loss)	3,12	(13 447)	8 404
Other gains (losses)	3,4	666	-
Cost of sales	5	(399)	(10 381)
Selling, general and administrative expenses	3,20	(2 417)	(6 633)
Amortization multi-client	11	(3 983)	(7 312)
Write-up multi-client (reversal of impairment)	11	12 618	-
Depreciation & impairment	10	(559)	(7 029)
Operating profit (loss) (EBIT)		**(264)**	**(7 136)**
Gain on debt restructuring	2.3	-	24 667
Financial income	6	51	2
Financial expenses	6	(81)	(2 610)
Currency exchange gain (loss)	6	(69)	(836)
Profit (loss) before tax		**(362)**	**14 087**
Income tax (expense)	7	1 758	(152)
Profit (loss) for the period		**1 396**	**13 935**
Currency translation adjustments		-	-
Other comprehensive income (loss) for the period		**-**	**-**
Total comprehensive income (loss) for the period		**1 396**	**13 935**
Earnings (loss) per share			
Basic earnings per ordinary share		0.01	0.11
Diluted earnings per ordinary share		0.01	0.11

5.2. Consolidated statement of financial position

USD thousands

Assets	Note	31.12.2022	31.12.2021
Non-current assets			
Multi-client library	11	37 491	28 856
Property, plant and equipment	10	-	3 423
Investments	12	6 821	18 268
Financial assets	15	3 029	-
Total non-current assets		**47 342**	**50 548**
Current assets			
Other current assets	9	3 238	222
Bank deposits, cash in hand	8	2 197	4 005
Total current assets		**5 435**	**4 227**
Total assets		**52 777**	**54 775**

5.3. Consolidated statement of financial position

USD thousands

Equity and Liabilities	Note	31.12.2022	31.12.2021
Equity			
Share capital and other paid in capital	18	79 909	79 909
Own shares	18	(489)	-
Other reserves		(31 769)	(33 200)
Total equity		**47 652**	**46 709**
Non current liabilities			
Interest bearing debt	13	-	896
Total non current liabilities		**-**	**896**
Current liabilities			
Trade payables	15	88	333
Taxes payables		2 282	2 362
Other current liabilities	17	2 755	4 475
Total current liabilities		**5 125**	**7 170**
Total liabilities		**5 125**	**8 065**
Total equity and liabilities		**52 777**	**54 775**

Oslo, 30 March 2023

The Board of Directors and CEO of Carbon Transition ASA

Gisle Grønlie
Chairman

Nina Skage
Director

Torstein Sanness
Director

Nils Haugestad
Interim CEO

5.4. Consolidated statement of change in equity

USD thousands	Share capital	Additional paid-in capital	Own shares	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2022	**28 739**	**51 170**	**-**	**(33 611)**	**411**	**46 709**
Profit (loss) for the period				1 396		1 396
Other comprehensive income (loss)				-		-
Purchase own shares			(489)	24		(464)
Share based payment					11	11
Balance as of 31.12.2022	**28 739**	**51 170**	**(489)**	**(32 191)**	**422**	**47 652**

USD thousands	Share capital	Additional paid-in capital	Own shares	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2021	**840**	**38 453**	**-**	**(47 546)**	**400**	**(7 852)**
Profit (loss) for the period				13 935		13 935
Other comprehensive income (loss)				-		-
New shares issued - cash settled	22 800	961				23 760
Cost for new shares issued		(2 163)				(2 163)
Capital increase - debt conversion	5 099	13 920		-		19 019
Share based payment					11	11
Balance as of 31.12.2021	**28 739**	**51 170**	**-**	**(33 611)**	**411**	**46 709**

5.5. Consolidated statement of cash flow

USD thousands	Note	2022	2021
Cash flow from operating activities			
Profit (loss) before tax		(362)	14 087
Taxes refund (paid)		264	(147)
Depreciation, amortization and net impairment	10,11	(8 076)	14 341
Changes in fair value for investments	3	13 447	(8 404)
Changes in other gains and losses	3	(666)	-
Gain reconstruction		-	(24 667)
Currency (gain)/loss without cash flow effects		0	(67)
Interest expense	6	69	1 730
Share based payment cost	21	11	11
Reconstruction payments		-	(5 077)
Other working capital changes		(3 576)	(1 451)
Net cash from operating activities		**1 112**	**(9 645)**
Cash flow from investing activities			
Disposal of property, plant and equipment	4	500	-
Cash received/paid from investments		(2 000)	(9 864)
Net cash flow from investment activities		**(1 500)**	**(9 864)**
Cash flow from financing activities			
Repayment of interest-bearing debt	13	(896)	(2 295)
Payment of lease liabilities (recognized under IFRS 16)	13	-	(73)
Net proceeds from new equity		-	21 597
Investment in own shares	18	(464)	-
Interest paid lease liabilities		-	(1)
Interest paid		(59)	(1 587)
Net cash flow from financial activities		**(1 419)**	**17 641**
Net change in cash and cash equivalents		**(1 807)**	**(1 868)**
Cash and cash equivalents balance 01.01	8	4 005	5 873
Cash and cash equivalents balance 31.12	8	**2 197**	**4 005**

5.6. Notes to the consolidated financial statement

Note 1 General information about the Company and basis for presentation

General information

Carbon Group comprises Carbon Transition ASA (referred to as the “Company” or the “Parent”) and its subsidiaries (together referred to as the “Group” or “Carbon”). Carbon Transition ASA is a public limited investment company incorporated in Norway. The Company is listed on EURONEXT EXPAND OSLO and traded under the ticker CARBN. The Company’s registered main office is at Askekroken 11, 0277 Oslo, Norway.

.

Carbon Transition is an investment company. Carbon comprises an OBN multi-client company and an investment arm. The Group may invest broadly in listed companies as well as companies expected to be listed in the near term. Carbon has a legacy seismic business operating under the name Axxis Geo Solutions. Under Axxis Geo Solutions, the Company manages a seismic OBN multi-client data library with assets in Norway and Egypt.

Basis of Preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union (“EU”), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of 31 December 2021.

The notes are an integral part of the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets financial instruments that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Company, using consistent accounting policies.

The consolidated financial statements are presented in thousands of USD.

The consolidated financial statements of the Group were authorized by the Board of Directors on 30 March 2023. The consolidated financial statements will be presented for approval at the Annual General Meeting on 24 May 2023. Until this date the Board of Directors has the authority to amend the financial statements.

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. The board of directors and management believe that the Company has sufficient working capital for continued operation.

Note 2.0 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements comprise the Company and its subsidiaries.

Subsidiaries are all entities over which the Company has control. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full consolidation.

Presentation and functional currency

The Group presents its consolidated financial reports in USD. The Functional currency is USD for the Group and its subsidiaries.

Foreign Currency

Transactions in foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in non-functional currencies are translated into functional currency spot rate of exchange ruling at the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in non-functional currencies are recognized in the income statement.

Revenue recognition

Within the seismic segment the company previously operated two business models. In 2022 all revenue relates to multi-client late sales. In 2021 the company earned revenue from both multi-client late sales and contract seismic surveys. For accounting policy information for contract seismic surveys, see the annual report for 2021.

Multi-client revenue (late sales)

Multi-client is the granting of licenses to the Group’s multi-client library. In the contracts the customer gets a non-exclusive right to use the data from a specific survey. The company owns multi-client libraries together with other parties, and are entitled to a defined portion of future revenues, The license payment is fixed and is required when the license is granted. The late sale revenue is recognized when a valid licensing agreement is signed, and the multi-client library data made accessible to the customer.

Investment in financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss for the Group are equity instruments and convertible loan.

Financial assets are classified at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), or at fair value through profit or loss, whereas the latter acquired principally for the purpose of generating a profit from fluctuation in prices is the most crucial for the Group. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group indulges in investment in financial assets as part of its core business. The Group's non-current financial investments are characterized in addition to the Groups intention of sale, that this sale could typically be expected to occur within a two-year time frame. The non-current financial investments are therefore treated at fair value through profit or loss.

All such instruments are classified as non-current financial investments, unless the Group exercises significant influence on the investment, in which case the investment will be classified as associate.

Current investments are considered part of a held for trading portfolio if they are acquired for the purpose of selling or repurchasing in the near term. These investments are subsequently measured at fair value in the statement of financial position with net changes in fair value recognized in the statement of profit and loss.

Investments subsequently measured at fair value over profit and loss in accordance with the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Net unrealized and realized gain/losses on the portfolio of investments is classified as operating income, while net unrealized and realized losses is classified as operating expenses.

In cases where an investment changes classification between associate and non-current financial investment either way, the investment is derecognized and recognized in its new classification based on its fair value as of time of derecognition/recognition. The highest level achievable according to the IFRS fair-value hierarchy will be applied.

Property, plant and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss.

The Group sold all of their seismic node equipment in March 2022.

Leases

The Company has elected to apply the recognition exemption to lease contracts with a duration of less than 12 months, or that relate to assets with an underlying low value. Lease payments associated with short-term leases and leases of low-value assets are expensed on a straight-line basis.

Other short-term leases less than 12 months and payments of these leases are charged to the income statement on a straight-line basis over the period of the lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with defined useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least every financial year end.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Multi-client library

The multi-client library consists of geophysical data to be licensed to customers on a non-exclusive basis. Directly attributable costs associated with the production and development of multi-client projects such as data acquisition and processing, and direct project costs are capitalized. Cost directly attributable to data acquisition and processing include vessel costs, payroll and related costs for crew, project management, agent, other related project costs, hardware/software costs and mobilization costs when relocating a vessel to the survey areas.

The multi-client library are amortized from the date the processed data are ready to be transferred to customers, using straight line amortization. Each project is evaluated individually for lifetime and the estimates are revised at least annually.

Before the library is completed, the Group test for impairment at least annually. To ensure that value in use above net book value, the Group will perform an additional impairment test after each significant sale is recognized, as each customer will only acquire the full data-set once.

Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured using the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Withholding taxes are included in the tax expense to the extent that a tax credit is available in the income tax in the home state.

Current income tax relating to items recognized directly in equity or other comprehensive is recognized in equity or other comprehensive income and not in the income statement.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted on the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Employee benefits - Pension obligations

The Company operates a defined contribution plan. The net pension cost for the period is presented as an employee expense in the line selling, general and administrative cost (SG&A).

Share based payment

The Group has an option plan for employees and one member of the Board. The fair value of options granted under the plan is recognized as an employee benefit expense with a corresponding increase in equity. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest, based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Trade receivables

Trade receivables sale of goods and services are held to collect contractual cash flows. They are initially recognized at the transaction price from sale of goods or services and are subsequent measured with a provision for expected credit loss.

Impairment losses are measured at lifetime expected credit losses in accordance with IFRS 9.

The Group’s impairment model for trade receivable, contract assets and other current assets is a simplified approach based on lifetime expected credit losses (ECL). Impairment is based on an estimate of the probability of default for the financial assets reflecting an unbiased amount determined by evaluating a range of possible outcomes; the time value of money and reasonable available information related to past events, current conditions, and forecasts of future economic conditions.

The Group uses an impairment model with the following characteristics: The receivables are organized based on the credit risk of the customers. The primary portfolio is the receivables where invoicing is done to customers with a high credit rating, typically large listed or state-owned oil companies. This portfolio has a low risk of default and therefore no impairment loss is initially recognized based on the expectation of all the accounts being paid. Further, an individual assessment is performed on specific customer receivables, typically if a customer is in known financial distress or has declared bankruptcy.

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities represent a contractual obligation to deliver cash in the future. Financial liabilities, except for derivatives, are initially recognized at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation is discharged through payment or when the Group is legally released from the primary responsibility for the liability.

Financial instruments at amortized cost

Financial assets and liabilities in this category are initially recognized as fair value, and subsequently carried at amortized cost, using the effective interest method less any allowance for impairment. This category includes accounts receivable, accounts payable and loans and other borrowings.

Cash flow statement

The cash flow statement is presented using the indirect method.

Cash and cash equivalents

Cash and cash equivalents include cash at hand, deposits held at call with banks with original maturities of three months or less.

Note 2.1 New Financial Reporting Standards

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been adopted early by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2.2 Key accounting estimates and judgement

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates could deviate from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Fair value measurement of financial assets

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Market price changes may occur that could negatively impact the fair value of investments after year end.

Impairment of intangible assets

The Group uses the discounted cash flow method to estimate the present value of the multi-client library, project Utsira incl the reprocessing and project Egypt, based on expectations of future multi-client late sales according to the cash flow prognosis used by management for 2022.

There are two uncertainties when it comes to the timing of the late sales and also the size of the lates sales. The management has weighted these uncertainly with probability in their discounted cash flow calculations. The WACC used in the calculation is comparable to peers.

The IFRS value of multi-client survey Utsira was not impaired in 2022 or 2021. However, in March 2022 the Group’s Norwegian multi-client library in the North-Sea, Utsira was written up (reversal of a portion of the 2019 and 2020 impairment), which increased the value with USD 5.6 million based on expectation for future late sales. Further in December 2022, due to a new reprocessing agreement of the Utsira survey was written up (reversal of a portion of the 2019 and 2020 impairment) with USD 7.0 million based on expectation for future late.

Note 2.3 Court protected reconstruction in 2021

The Company filed for court protected reconstruction on 16 February 2021. This filing provided protection from bankruptcy and allowed for continued operation under court protection. A reconstruction plan was subsequently put forth, whereafter 106 out of 110 creditors voted in favor of the plan by the deadline of 27 April 2021. In nominal amounts, this represented in excess of 98% of claims eligible to vote. In addition, the Group obtained acceptance for voluntary debt settlement from the major creditors in the Group companies in the US and Egypt.

On 30 April 2021, the District Court of Ringerike, Asker and Bærum confirmed the reconstruction proposal, subject to an appeal period which expired 1 June 2021.

An Extraordinary General Meeting on 21 May approved, subject to the reconstruction proposal and the forced debt settlement becoming legally binding, that the Company pay approximately USD 6 million in cash and issue approximately 424 million shares to its creditors (the "Conversion Shares").

The court ruling became legally binding on 1 June 2021 and the Company paid and settled all Conversion Shares in June 2021.

Equity and Liabilities	Cash Payments	Gain on Debt Forgiveness	Equity Conversion	Gain on equity conversion	Capital Increase	**Net effect**
Equity						
Share capital and other paid in capital	-	-	25 495	(6 476)	15 547	34 566
Other reserves	-	18 172	-	6 476	-	24 648
Total equity	-	18 172	25 495	-	15 547	**59 214**
Liabilities						
Interest bearing debt current	(2 888)	(13 029)	(19 017)	-	-	(34 934)
Trade payables	(908)	(4 631)	(5 446)	-	-	(10 985)
Other current liabilities	(1 215)	(532)	(1 032)	-	-	(2 779)
Total liabilities	**(5 011)**	**(18 192)**	**(25 495)**	**-**	**-**	**(48 698)**
Gain from reconstruction in income statement		18 191		6 476		**24 667**

As a part of the reconstruction, creditors were paid cash dividends or debt was converted to equity. The gain of USD 18.2 million is from the creditors with cash dividends where the remaining amount was booked as gain on debt forgiveness The other gain of USD 6.5 million is from creditors with debt converted to equity and afterwards fair value adjustment to the share price the day the debt was converted at NOK 0.373 per share, compared to share price of NOK 0.50 offered in the converting settlement. Both these transactions resulted in a total net gain of USD 24.7 million in the statement of comprehensive income.

Note 3 Segment reporting

The Group operates two segments, Axxis and Investments, based on the two different revenue streams. The Group has a legacy seismic business operating under the name Axxis Geo Solutions, with a multi-client data library. The investment segment was new from 2021. The Group has a strategy to invest in listed companies as well as companies expected to be listed in the near term. Investments must meet the criteria for risk and return set by the board of directors.

The segment reporting is based on the same accounting principles as the financial statements.

Operating expenses are allocated to the segments based on the use of resources and assets. Unallocated items include revenue and expenses related to salaries for office personnel and other office expenses.

Share based payment cost and capitalized cost of obtaining contracts has not been allocated to segments.

USD thousands	Segment reporting		Unallocated	Total
	Axxis	Investment		
Income statement	**2022**	**2022**	**2022**	**2022**
Total revenue	**7 258**	**-**	**-**	**7 258**
Changes in fair value of investments	**-**	**(13 447)**	**-**	**(13 447)**
Other gains (losses)	**666**	**-**	**-**	**666**
Cost of sales	(399)	-	-	(399)
Selling, general and administrative expenses	(413)	(6)	(1 998)	(2 417)
Amortization multi-client	(3 983)	-	-	(3 983)
Write-up multi-client (reversal of impairment)	12 618	-	-	12 618
Depreciation & impairment	(548)	-	(11)	(559)
Operating profit (loss) (EBIT) Segment	**15 198**	**(13 453)**	**(2 009)**	**(264)**

The ocean-bottom seismic contract node on a rope business was divested in March 2022 through an earnout agreement with Magseis Fairfield.

USD thousands	Segment reporting		Unallocated	Total
	Axxis	Investment		
Geographical markets	**2022**	**2022**	**2022**	**2022**
Norway	6 328	-	-	6 328
Egypt	1 596	-	-	1 596

The geographical split is based on where the multi-client late sales occur.

USD thousands	Segment reporting		Unallocated	Total
	Axxis	Investment		
Major customers	**2022**	**2022**	**2022**	**2022**
Customer 1	2 522	-	-	2 522
Customer 2	1 764	-	-	1 764
Customer 3	1 596	-	-	1 596
Customer 4	1 368	-	-	1 368
Total revenue	**7 250**	**-**	**-**	**7 250**

USD thousands	Segment reporting		Unallocated	Total
	Axxis	Investment		
Income statement	**2021**	**2021**	**2021**	**2021**
Total revenue	**15 816**	**-**	**-**	**15 816**
Changes in fair value of investments	**-**	**8 404**	**-**	**8 404**
Cost of sales	(10 381)	-	-	(10 381)
Selling, general and administrative expenses	(909)	(4)	(5 720)	(6 633)
Amortization multi-client	(7 312)	-	-	(7 312)
Depreciation & impairment	(6 965)	-	(64)	(7 029)
Operating profit (loss) (EBIT) Segment	**(9 751)**	**8 400**	**(5 785)**	**(7 136)**

Vessel and equipment are only utilized in the Axxis segment, and the major part of depreciation relates to this segment.

USD thousands	Segment reporting		Unallocated	Total
	Axxis	Investment		
Geographical markets	**2021**	**2021**	**2021**	**2021**
Norway	5 669	-	-	5 669
UK	8 983	-	-	8 983
Total revenue	**14 653**	**-**	**-**	**14 653**

The geographical split is based on where the seismic surveys have been performed and the late sales occur.

USD thousands	Segment reporting		Unallocated	Total
	Axxis	Investment		
Major customers	**2021**	**2021**	**2021**	**2021**
Customer 1	8 983	-	-	8 983
Customer 2	2 124	-	-	2 124
Customer 3	2 042	-	-	2 042
Customer 4	1 369	-	-	1 369
Total revenue	**14 519**	**-**	**-**	**14 519**

Note 4 Revenue and cost from contract with clients

USD thousands	**Axxis**	**Investment**	**Total**
Income statement	**2022**	**2022**	**2022**
Other income	8	-	8
Multi-client projects late sales	7 250	-	7 250
Total revenue from contracts with customers	**7 258**	**-**	**7 258**
At a point in time	7 258	-	7 258
Total revenues from contracts with customers	**7 258**	**-**	**7 258**

USD thousands	**Axxis**	**Investment**	**Total**
Other gains (losses)	**2022**	**2022**	**2022**
Sale of node assets - earnout model	666	-	666
Total gain (losses)	**666**	**-**	**666**

The ocean-bottom seismic contract node on a rope business was divested in March 2022 through an earnout agreement with Magseis Fairfield. The net gain is from the sales of the seismic node business to Magseis Fairfield. Under the agreement, Carbon Transition received USD 0.5 million at closing and will receive earnout payments of up to a maximum of USD 12.0 million over the next three years, based on the use of the equipment. There is a minimum payment in year three of USD 1.5 million, subject to certain milestones.

As basis for the gain calculation, the Group has estimated total revenues, and the resulting payments to Carbon, for the three year period. The Group has used a probability weighted cash flow and discounted with a WACC of 9.15%.Two scenarios have been calculated as high and as low scenario. The NPV per 31.12.2022 is just above the low case of USD 3.0 million. This NPV has been offset by the sales net book value of the nodes sold at the time of divestment with a loss of USD 2.3 million, which resulted in a gain of USD 0.7 million.

USD thousands	Axxis	Investment	Total
Income statement	**2021**	**2021**	**2021**
Contracts for seismic acquisition	9 117	-	9 117
Multi-client projects pre-funding	-	-	-
Multi-client projects late sales	5 535	-	5 535
Total revenue from contracts with customers	**14 653**	**-**	**14 653**
At a point in time	5 535	-	5 535
Over time	9 117	-	9 117
Total revenues from contracts with customers	**14 653**	**-**	**14 653**

Cost to fulfill contracts and cost to obtain contracts

USD thousands	Axxis	Investment	Total
Income statement	**2021**	**2021**	**2021**
Contract assets			
Assets recognized for cost to fulfill a contract in the balance 01.01.21	-	-	-
Assets recognized for costs to fulfill a contract (mobilization costs)	1 938	-	1 938
Amortization of assets recognized for cost to fulfill a contract (mobilization costs)	(1 938)	-	(1 938)
Total contract assets	**-**	**-**	**-**

Assets related to cost to fulfill and cost to obtain contracts is presented as other current assets in the balance.

USD thousands	Axxis	Investment	Total
Other income	**2021**	**2021**	**2021**
Covid-19 compensation	1 163	-	1 163
Total other income	**1 163**	**-**	**1 163**

Note 5 Cost of sales

USD thousands

Cost of sales	2022	2021
Vessel cost	(1)	(3 786)
Crew & project management	(216)	(2 165)
Seismic, source and node equipment	(56)	(3 618)
Agent related expenses	(127)	(1 632)
Mobilization amortization	-	(1 938)
Mobilization cost capitalized	-	1 938
Reversal of cost previous period	-	821
Total cost of sales	**(399)**	**(10 381)**

Note 6 Financial items

USD thousands

Gain on debt restructuring	2022	2021
Gain on debt restructuring	-	24 062
Total gain on restructuring	**-**	**24 062**

Financial income	2022	2021
Interest income	7	2
Other financial income	45	-
Total financial income	**51**	**2**

Financial expenses	2022	2021
Interest expense	(69)	(1 483)
Interest expense suppliers	-	(246)
Other financial expenses	(12)	(880)
Total financial expenses	**(81)**	**(2 610)**

Currency exchange gain (loss)	2022	2021
Exchange gains	1 404	1 928
Exchange losses	(1 472)	(2 765)
Total exchange gain (loss)	**(69)**	**(836)**

Note 7 Tax

USD thousands	2022	2021
Specification of tax expense (income) for the year		
Current income tax (including withholding tax)	-	90
Change in deferred tax	-	-
Changes from previous years	(1 758)	62
Total tax expense (income)	**(1 758)**	**152**

Changes from previous year is related to change in accrual for corporate income tax in Egypt, where the taxes have not been settled.

Reconciliation of actual against expected tax expense (income) at the income tax rate of 22%		
Profit (loss) before tax	(362)	14 087
22% tax	(80)	3 099
Tax effect from:		
Non taxable income - restructuring	-	152
Withholding tax and corporate tax abroad	83	246
Permanent differences	(1 519)	(1 909)
Currency effect	(708)	(424)
Difference in tax rate in foreign activities	5	(8)
Changes from previous years	(1 758)	
Not booked deferred tax asset	2 219	(1 004)
Calculated tax expense (income)	**(1 758)**	**152**
Effective tax rate for the Company	485,37	(1,08)

USD thousands	31.12.2022	31.12.2021
Temporary differences		
Non current assets	(6 387)	(6 044)
Trade receivables	-	-
Other accruals	-	-
Financial lease	-	-
Accumulated loss carried forward	(42 780)	(57 223)
Temporary differences at 31.12.	**(49 167)**	**(63 267)**
Deferred tax assets (liabilities)	**10 817**	**13 919**

Per December 2022 the management evaluated the deferred tax assets to be uncertain when to be utilized. The same evaluation was performed per December 2021.

The loss carried forward is in Norway and there are no time limits for use of the losses.

Note 8 Bank deposits, cash in hand

USD thousands	**31.12.2022**	**31.12.2021**
Bank deposits	2 156	3 919
Restricted bank deposits	42	86
Total bank deposits	**2 197**	**4 005**

Restricted bank deposits relate to employee withholding tax. These deposits are subject to regulatory restrictions and are therefore not available for general use by the entities within the Group. The account can be used to settle employee withholding tax.

Note 9 Other current assets

USD thousands	**31.12.2022**	**31.12.2021**
Prepayments	82	197
Accrued income	3 153	-
Other current receivables	3	25
Total other current assets	**3 238**	**222**

Note 10 Property, plant and equipment

USD thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Lease asset	Total tangible assets
2022						
Cost at 01.01.22	**-**	**11 388**	**-**	**364**	**305**	**12 057**
Additions	-	-	-	-	-	-
Disposal	-	(10 000)	-	-	-	(10 000)
Cost at 31.12.22	**-**	**1 388**	**-**	**364**	**305**	**2 057**
Accumulated depreciation 01.01.22	**(0)**	**(7 976)**	**-**	**(353)**	**(305)**	**(8 633)**
Depreciation	-	(548)	-	(11)	-	(560)
Disposal	(0)	7 136	-	-	-	7 136
Accumulated depreciation at 31.12.22	**(0)**	**(1 388)**	**-**	**(364)**	**(305)**	**(2 057)**
Carrying amount at 01.01.22	**(0)**	**3 412**	**-**	**11**	**0**	**3 423**
Carrying amount at 31.12.22	**(0)**	**0**	**-**	**(0)**	**0**	**(0)**
Economic lifetime	3-10 years	3-5 years		3-10 years	2-5 years	

USD thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Lease asset	Total tangible assets
2021						
Cost at 01.01.21	**8 171**	**17 372**	**29**	**364**	**489**	**26 425**
Additions	-	-	-	-	-	-
Disposal	(5 459)	(5 171)	(29)	-	(184)	(10 843)
Impairment	(2 711)	(813)	-	-	-	(3 524)
Cost at 31.12.21	**-**	**11 388**	**-**	**364**	**305**	**12 057**
Accumulated depreciation 01.01.21	**(4 717)**	**(9 259)**	**-**	**(235)**	**(420)**	**(14 631)**
Depreciation	(351)	(2 967)	-	(117)	(69)	(3 505)
Disposal	5 067	4 251	-	-	184	9 502
Impairment	-	-	-	-	-	-
Accumulated depreciation at 31.12.21	**(0)**	**(7 976)**	**-**	**(353)**	**(305)**	**(8 633)**
Carrying amount at 01.01.21	**3 454**	**8 114**	**29**	**128**	**69**	**11 794**
Carrying amount at 31.12.21	**(0)**	**3 412**	**-**	**11**	**0**	**3 423**
Economic lifetime	3-10 years	3-5 years		3-10 years	2-5 years	

The climate risk for stranded equipment is evaluated as low, since the Group has sold the node seismic equipment in March 2022. The book value of assets is zero at the end of 2022.

Note 11 Intangible assets

USD thousands	**31.12.2022**	**31.12.2021**
Cost as of 01.01	**92 881**	**92 881**
Capitalized costs	-	-
Cost as of 31.12	**92 881**	**92 881**
Accumulated amortization and impairment as of 01.01	**(64 025)**	**(56 713)**
Amortization for the period	(3 983)	(7 312)
Write-up (reversal of impairment)	12 618	-
Accumulated amortization and impairment as of 31.12	**(55 390)**	**(64 025)**
Carrying value at 01.01	28 856	36 168
Carrying value at 31.12	**37 491**	**28 856**

In March 2022 the Group's Norwegian multi-client library Utsira in the North Sea was written up (reversal of a portion of the 2019 and 2020 impairment), which increased the value with USD 5.6 million based on expectation for future late sales.

In December 2022, a reprocessing agreement for the Utsira project was signed with reprocessing from CGG and with pre-funding from two major oil companies. Due to this new reprocessing agreement the Utsira was written up (reversal of a portion of the 2019 and 2020 impairment) with USD 7.0 million based on expectation for future late sales. Fair value less cost of disposal is used to determine this amount. Fair value less costs to sell is the arm's length sale price between knowledgeable willing parties less costs of disposal. The value in use of an asset is the expected future cash flows that the asset in its current condition will produce, discounted to present value using an appropriate discount rate. The Group used the same discounted rate as the WACC in the fair value calculation of 10.10%.

The company has no fully amortized intangible assets that are still in use per 31 December 2022.

TGS had a pledge as collateral in the multi-client project Utsira in 2021 until March 2022 when the interest-bearing debt to TGS was repaid.

The Group's Egyptian multi-client library in the Suez has a cap of late sales and deviate from the WACC used for Utsira.

The multi-client segment consists of multiple seismic data surveys that comprise the segment. As of 31 December 2022, the Group owns two multiclient surveys, each considered a separate CGU and impairment tested separately.

The multi-client survey of Utsira has so far been amortized from the date the processed data was ready to be transferred to customers in Q3 2020 with a lifetime of 4 years. From January 2022 the lifetime was changed from 4 to 10 years, with the remaining year of 8.5 from January 2022.

The multi-client survey in Egypt finalized processing per September 2022, and amortization started in Q3 2022 with a lifetime of 4 years.

According to IFRS the multi-client library should be tested for impairment if the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The Group performs quarterly testing for impairment where the sales estimate is updated for each quarterly evaluation. The industry is known for uncertainty of when the late sales will happen, rather than the size of the late sales. For financial purposes the Group used sales estimates weighted in addition to worst, low, mid and high probability where the next two years was estimated in detail. The WACC used for calculated NPV (Net Present Value) of Utsira is 10,10 % similar to comparable companies. Together, the weighted sales expectations and the WACC comprise the key input factors to the Group's impairment testing of multi-client library. WACC used for MCL Egypt is 12.44% due to higher country risk.

A decrease in the company's sales expectations exceeding 1,5% would result in an impairment in the multi-client library. Similarly, an increase in WACC to 10,7% would result in an impairment in the multi-client library.

The Group does not consider climate risk to have a significant impact on the estimates for the multi-client values per December 2022.

Note 12 Investments

USD thousands		
Non-current assets	**31.12.2022**	**31.12.2021**
Listed securities		
CO2 Capsol AS	4 246	10 228
Dolphin Drilling AS	2 245	-
Listed securities	**6 491**	**10 228**
Unlisted securities		
Arbaflame AS	330	3 403
Power By BritishVolt Limited		
- Common shares	-	3 175
- Options	-	1 462
	-	4 637
Unlisted securities	**330**	**8 040**
Total non-current assets	**6 821**	**18 268**

CO2 Capsol AS

The investment in CO2 Capsol is valued based on Level 1 inputs, quoted prices in active markets. Year-end closing price was NOK 11.50 (NOK 24.795 in 2021) per share. The Group held 3,636,363 shares with a total value of USD 41.8 million (USD 10.3 million).

The valuation of traded shares is based on quoted prices in active markets. Market price changes subsequent to year end may have a significant impact on the overall fair value of investments.

Sensitivity: A 5% and 10% increase in CO2 Capsol stock price is equal to an increase of USD 212 thousand and USD 511 thousand in value, respectively. Likewise, a 5% and 10% decrease in stock price in CO2 Capsol is equal to a decrease of USD 212 thousand and USD 511 thousand, respectively.

Dolphin Drilling AS

The investment in Dolphin Drilling AS is valued based on Level 1 inputs, quoted prices in active markets. Year-end closing price was NOK 12.868 per share. The Group held 1.714.568 shares with a total value of USD 2.2 million.

The valuation of traded shares is based on quoted prices in active markets. Market price changes subsequent to year end may have a significant impact on the overall fair value of investments.

Sensitivity: A 5% and 10% increase in Dolphin Drilling stock price is equal to an increase of USD 112 thousand and USD 225 thousand in value, respectively.

Likewise, a 5% and 10% decrease in stock price in Dolpin Drilling is equal to a decrease of USD USD 112 thousand and USD 225 thousand, respectively.

Power By BritishVolt Limited

The investment in Britishvolt is measured based on Level 3 inputs. The company is not listed, and the management has based fair value on analysis from financial advisors and information from the company. The Group is currently valuing Britishvolt at GBP 0.0 per share, which is based on the fact that the Company is under administration.

The estimated fair value of the Group's investment in Power by Britishvolt Limited is USD zero (NOK zero) at the end of December 2022

No sensitivity is prepared for Britishvolt since the value is written down to zero as of December 2022.

Arbaflame AS

The investment in Arbaflame is measured based on level 3 inputs. The company is not listed, and management has therefore evaluated all available information and news from the company after the investment was made. Arbaflame had an equity private placement in November 2022 at NOK 0.83 per share and the Group use this value. Based on this valuation, the estimated fair value of the Group's investment in Arbaflame was USD 0.3 million (NOK 3.3 million) at the end of December 2022.

Sensitivity: A 5% and 10% increase in Arbaflame stock price is equal to an increase of USD 17 thousand and USD 33 thousand in value, respectively. Likewise, a 5% and 10% decrease in stock price in Arbaflame is equal to a decrease of USD 17 thousand and USD 33 thousand, respectively.

The Group does not consider climate risk to have a significant impact on the estimates for the fair value of investments per December 2022.

Note 13 Interest bearing debt and cash flow information

USD 896 725 Nibor + 10% Term Loan (TGS)

The TGS loan was fully repaid during the first quarter of 2022 and the security at the same time was resolved. The TGS loan was classified as non-current liabilities as of 31 December 2021. The TGS loan was secured by the Utsira multi-client survey as well as the shares in the company Axxis Multi Client AS.

USD thousands	Liabilities arising from financing activities		
	Interest bearing debt	**Lease liabilities**	**Total**
01.01.2022	**896**	-	**896**
Repayment of interest-bearing debt	(896)	-	(896)
Payment of lease liabilities		-	-
Other	-	-	-
Reclassification	-	-	-
31.12.2022	**-**	**-**	**-**

USD thousands	Liabilities arising from financing activities		
	Interest bearing debt	**Lease liabilities**	**Total**
01.01.2021	**33 906**	**73**	**33 979**
Repayment of interest-bearing debt	(2 295)	-	(2 295)
Payment of lease liabilities		(73)	
Other*	(30 716)	-	(30 716)
Reclassification	-	-	-
31.12.2021	**896**	**-**	**896**

** Mainly related to debt forgiveness related to the reconstruction process.*

Note 14 Financial risk management

The Group changed name to Carbon Transition ASA during 2021 following the restructuring in June 2021. The Group has a legacy seismic business operating under the name Axxis Geo Solutions, with a multi-client data library. The investment segment was new from 2021. The Group has a strategy to invest in listed companies as well as companies expected to be listed in the near term. Investments must meet the criteria for risk and return set by the board of directors.

The Group is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand for products and services provided by companies the Group invests in. The performance of the business operating under the name Axxis Geo Solutions is also dependent on production and development spending by oil and gas companies. Historically, in times of low oil prices, demand for seismic data has been significantly reduced.

Capital Management

For the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and adjusts considering changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, repay or issue new debt.

The Group's capital management, among other things, aims to ensure that it fulfils if any borrowings that define capital structure requirements. Any breaches in meeting the financial terms if any would permit the borrower to immediately call borrowings.

Market risk - price risk

For information regarding market risk- price risk see note 12.

Financing risk

The Group fully repaid the TGS loan during 2022 and ended in December 2022 with zero external debt. During 2021 the Company successfully completed a legal court reconstruction and almost all debt was settled. There was only debt to TGS in the Group per year-end 2021. The purpose of these financial instruments was to ensure that the Group has financial flexibility for investments that were necessary for the Group's operations. In addition, the Group has items such as trade receivables, trade payables etc. which is directly related regular business operations. The Group does not use financial instruments for hedging purposes. Risk management procedures have been established by the Board and handled by the CFO.

The Group is exposed to financial risk linked to interest rate risk, liquidity risk, currency risk and credit risk. The Group's management has a continuous assessment to identify and evaluate financial risks and sets guidelines for how to handle them.

The Group does not have any financial derivatives in 2022 or 2021.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk related to trade receivables and other current receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Current and expected future customers are oil and gas companies with sound credit ratings. Also, for other companies in the industry, historic credit losses have been negligible. Because the expected credit loss has been negligible. Because the expected credit loss is a clearly immaterial amount, no provision has been made.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due without special agreement in advance.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

All trade receivable was fully paid during 2022 and 2021, and therefore no provision for losses.

(ii) Market risk - interest rate

The Group does not use financial instruments to hedge interest rate risk.

Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so there is no significant interest rate risk associated with these financial assets and liabilities.

The Group has no debt as per December 2022. The Group's sensitivity to potential changes in interest rates with an increase in 50 basis points would increase interest expense for 2021 with USD 38 thousands.

(iii) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its payment obligations. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Group's strategy for managing liquidity risk is to always have sufficient liquidity in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the Group`s reputation. The Group may need access to long-term funding. There can be no assurance that available funding sources are accessible when needed nor can there be any assurance that the Group will be able to raise new equity on favorable terms and in amounts necessary to conduct its on-going and future operations, should this be required. Furthermore, there can be no assurance that the Group will be able to obtain additional shareholder funding. Failure to access necessary liquidity could require the Group to scale back its operations or could have other materially adverse consequences for its business and its ability to meet its obligations.

The table below provides an overview of the maturity profile of all financial liabilities. For bank loans the stated amount includes estimated interest payments. In cases where the counterparty may claim earlier redemption, the amount is placed in the earliest period and the payment may be required from the counterparty.

2022						
	Remaining Term					
USD thousands	0-3 months	3-6 months	6-9 months	9-12 months	1-2 years	Total
Trade payables	88	-	-	-	-	88
Other current liabilities	634	-	-	4 403	-	5 037
Total	**723**	**-**	**-**	**4 403**	**-**	**5 125**

(iv) Market risk - foreign exchange rates

The Group operates internationally and is exposed to foreign exchange risk, primarily from the NOK and EGP. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group is exposed to currency risk as a large part of the group's expenses are denominated in NOK. Profit after tax for the Group is also affected by changes in exchange rates, as expenses and payables are converted to USD.

The NOK denominated payables are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has not been hedged.

The table below shows the Group's sensitivity to potential changes in exchange rates. The calculation considers the currency translation of all consolidated foreign subsidiaries. The calculation in the table shows the effect on consolidated profit / loss on the average exchange rate.

USD thousands	Change in exchange rate USD/NOK	Effect on profit before tax	Effect on OCI
2022	+ 10 %	(21)	-
	- 10 %	25	-
2021	+ 10 %	1 486	-
	- 10 %	(1 816)	-

The Group`s operations in foreign countries expose it to risks related to foreign currency movements. Currency exchange rates fluctuate due to several factors, and these include international balance of payments, economic and financial conditions, government intervention, speculation, and other factors. Changes in currency exchange rates relative to the USD may affect the USD valued assets and liabilities of the Group – primarily the tax exposure in USD and NOK. Changes in currency may also affect the Group’s local expenses when operating abroad. The Group’s expenses are primarily in USD and NOK. As such, the Group’s earnings are exposed to fluctuations in the foreign currency market.

Note 15 Categories of financial instruments

USD thousands		
ASSETS	**31.12.2022**	**31.12.2021**
Financial assets at amortized cost		
Bank deposits, cash in hand	2 197	4 005
Financial assets at fair value through profit and loss		
Investments	6 821	18 268
Financial assets	3 029	-
Total financial assets	**12 048**	**22 273**
LIABILITIES	**31.12.2022**	**31.12.2021**
Financial liabilities at amortized cost		
Interest-bearing non-current liabilities	-	896
Trade payables	88	333
Other current liabilities	5 037	6 837
Total financial liabilities	**5 125**	**8 065**

The Group's exposure to various risks associated with financial instruments is discussed in note 14 Financial risk management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Fair value

Due to the short-term nature of bank deposits, cash in hand, trade receivables and other current receivables, their carrying amount is considered to be the same as their fair value.

Interest bearing loans are recognized initially at fair value less transaction costs. The TGS loan was settled during the first quarter of 2022. Subsequent to initial recognition, interest bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of profit or loss when the liabilities are derecognized as well as through the amortization process. The carrying value of borrowing is less amortized cost. The carrying amount of trade and other payables is considered to be approximately the same as their fair values, due to their short-term nature. Due to the court reconstruction in June 2021 all interest-bearing debt except the TGS loan was settled during 2021.

Financial assets are from the ocean-bottom seismic contract node on a rope business that was divested in March 2022 through an earnout agreement with Magseis Fairfield. Under the agreement, Carbon Transition received USD 0.5 million at closing and will receive earnout payments of up to a maximum of USD 12.0 million over the next three years, based on the use of the equipment. There is a minimum payment in year three of USD 1.5 million, subject to certain milestones. This is level 3-inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). An entity shall include in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group used best estimates and discounted to net present value. As basis for the gain calculation, the Group has estimated total revenues, and the resulting payments to Carbon, for the three year period. The group has used a probability weighted cash flow and discounted with a WACC of 9.15%.. Two scenarios have been calculated as high and as low scenario. The NPV per 31.12.2022 of USD 3.0 million is just above the low case.

The Group does not hold any financial derivatives.

Note 16 Leases and commitments

Leases

For the Group only office rental comes under the classification of leases. As of 31 December 2022, and 2021, the Group has no lease liabilities. The reason is that the commitment related to office rent expires in September 2023.

Commitments:

As of December 2022, the Group had commitments related to office rent for the Oslo office until September 2023. As of December 2021, the Group had commitments related to office rent for the Oslo Office until September 2022 and for the Houston office until April 2022. The cost for short term leases of office rent for 2022 was USD 0.1 million and USD 0.1 million for 2021.

The cost for short term leases of seismic equipment was zero in 2022 and USD 2.4 million in 2021.

The cost for short-term leases of vessels was zero in 2022 and USD 2.8 million in 2021.

Note 17 Other current liabilities

USD thousands	**31.12.2022**	**31.12.2021**
Holiday pay owed	68	146
Egyptian tax *	2 121	3 923
Other accrued costs	127	672
VAT settlement	440	(267)
Total other current liabilities	**2 755**	**4 475**

* These taxes payables are related to Egyptian taxes for withholding and crew related tax originally in EGP. The Group expects the Egyptian tax to be reduced, but since the taxes is not settled as of December 2022, the Group has decided to keep same tax level in EGP as for 2021. However, due to currency exchange development in Egypt EGP vs USD, the amount in USD is reduced.

Note 18 Share capital and shareholder information

The Company's share capital per 31.12.2022 include the following:	**Number of shares**	**Share Capital in NOK**	**Par Value per share**
Ordinary shares (one share = one vote)	239 760 117	239 760 117	1,00

The Company has one class of shares, all shares provide equal rights, including the right to any dividends in line with 2021. Each of the shares carries one vote in line with 2021.

Carbon Transition ASA has in September 2022 purchased own share with 5 263 157 shares at USD 0.5 million. The subsidiaries directly or indirectly do not own shares or treasury shares in the Company.

Changes in number of shares	**Shares**
Number of shares 01.01.2022	**239 760 117**
Own shares 31.12.2022	**5 263 157**
Number of shares 31.12.2022	**234 496 960**

Paid/proposed dividend
The board has decided not to propose any dividend for 2022 or 2021.

The major shareholders in Carbon Transition ASA 31 December 2022 were as follows:

Shareholders	Total shares	Ownership share	Voting share
INVESTERINGSFONDET VIKING AS	28 000 000	11,7%	11,7%
TIGERSTADEN AS	16 250 000	6,8%	6,8%
F2 FUNDS AS	11 848 719	4,9%	4,9%
ALDEN AS	11 265 384	4,7%	4,7%
F1 FUNDS AS	10 642 170	4,4%	4,4%
DNB BANK ASA	9 300 000	3,9%	3,9%
BECK ASSET MANAGEMENT AS	9 012 307	3,8%	3,8%
GINNY INVEST AS	7 250 230	3,0%	3,0%
BALLISTA AS	6 323 231	2,6%	2,6%
URTIVEN AS	6 300 000	2,6%	2,6%
Q CAPITAL AS	5 869 230	2,4%	2,4%
PHILIP HOLDING AS	5 750 230	2,4%	2,4%
CARBON TRANSITION ASA	5 263 157	2,2%	2,2%
REDBACK AS	5 000 000	2,1%	2,1%
TTC INVEST AS	4 000 000	1,7%	1,7%
Nordnet Bank AB	3 472 800	1,4%	1,4%
SIX SIS AG	3 451 756	1,4%	1,4%
LIVERMORE INVEST AS	3 092 249	1,3%	1,3%
KING KONG INVEST AS	3 000 000	1,3%	1,3%
NORDNET LIVSFORSIKRING AS	2 975 849	1,2%	1,2%
Total 20 largest shareholders	**158 067 312**	**65,9%**	**65,9%**
Total other shareholders	81 692 805	34,1%	34,1%
Total number of shares	**239 760 117**	**100,0%**	**100,0%**

The major shareholders in Carbon Transition ASA 31 December 2021 were as follows:

Shareholders	Total shares	Ownership share	Voting share
INVESTERINGSFONDET VIKING AS	28 000 000	11,7%	11,7%
MIDDELBORG INVEST AS	14 538 461	6,1%	6,1%
TIGERSTADEN AS	13 760 459	5,7%	5,7%
ALDEN AS	11 265 384	4,7%	4,7%
SPAREBANK 1 MARKETS AS	11 180 000	4,7%	4,7%
F2 FUNDS AS	9 250 000	3,9%	3,9%
BECK ASSET MANAGEMENT AS	9 012 307	3,8%	3,8%
F1 FUNDS AS	8 427 223	3,5%	3,5%
URTIVEN AS	8 230 770	3,4%	3,4%
GINNY INVEST AS	6 250 230	2,6%	2,6%
DNB BANK ASA	6 225 280	2,6%	2,6%
PHILIP HOLDING AS	5 750 230	2,4%	2,4%
Q CAPITAL AS	5 619 230	2,3%	2,3%
REDBACK AS	5 000 000	2,1%	2,1%
TTC INVEST AS	4 000 000	1,7%	1,7%
Nordnet Bank AB	3 758 002	1,6%	1,6%
LIVERMORE INVEST AS	3 079 615	1,3%	1,3%
Skandinaviska Enskilda Banken AB	2 500 000	1,0%	1,0%
NORDNET LIVSFORSIKRING AS	2 089 077	0,9%	0,9%
CITADELL AS	2 000 000	0,8%	0,8%
Total 20 largest shareholders	**159 936 268**	**66,7%**	**66,7%**
Total other shareholders	79 823 849	33,3%	33,3%
Total number of shares	**239 760 117**	**100,0%**	**100,0%**

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers **31 December 2022** were as follows:

Board of Directors	Position	Total shares	Ownership share	Voting share	Number of options
Torstein Sanness	Board member	285 000	0,0 %	0,0 %	800 000

Share and options owned by management **31 December 2022** were as follows:

Executive management	Position	Number of shares	Number of options
Nils Haugestad Interim CEO and CFO (Interim CEO from 9.12.2021)	Interim CEO and CFO	-	-

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers **31 December 2021** were as follows:

Board of Directors	Position	Total shares	Ownership share	Voting share	Number of options
Gisle Grønlie	Chairman	134 000	0,0 %	0,0 %	800 000
Torstein Sanness	Board member	285 000	0,0 %	0,0 %	800 000

Share and options owned by management **31 December 2021** were as follows:

Executive management	Position	Number of shares	Number of options
Nils Haugestad Interim CEO and CFO (Interim CEO from 9.12.2021)	Interim CEO and CFO	-	-
Richard Dunlop	EVP Operations	14 423	10 640

Note 19 Related parties

The ultimate Parent of the Group is Carbon Transition ASA.

The Group transactions and balances with other Group companies in 2022 were related to consultancy fees from companies representing some of the largest shareholders. There were no transactions with related parties in 2021.

Transactions with related parties USD thousands	**2022**	**2021**
Consultancy services:		
Citadell AS controlled by Fredrik Sneve	68	-
Middelborg AS controlled by Lars Eriksen	70	-
Balances with related parties USD thousands	**31.12.2022**	**31.12.2021**
Account payables / Other current liabilities:		
Citadell AS	5	30
Middelborg AS	5	26

As of 1st July 2021, an agreement related to consultancy services was entered with Citadell AS and Middelborg AS representing some of the largest shareholders of the Parent company, in addition to participate in the nomination committee from 23 June 2021. The payment related the consultancy services started in 2022. The agreement to deliver consultancy services with these companies was cancelled by end of January 2023.

Note 20 Personnel expenses and board remunerations

USD thousands	**2022**	**2021**
Wages and salaries	842	2 462
Social Security costs	176	340
Pension costs	89	150
Other remuneration	34	539
Share based payment expense (refer to note 21)	11	11
Refund salary	(20)	(33)
Total personnel expense	**1 132**	**3 469**

Number of man-years at 31.12	**2022**	**2021**
Group companies in Norway	3,5	7
Group companies abroad	0	2

The Group has a defined contribution pension plan. The contribution plan is a retirement plan in which the Group pays fixed contributions to a separate legal entity. The Group has no further payment obligations once these contributions have been paid. Contributions are booked as cost on an ongoing basis. The Group meets the requirements for occupational pension scheme under the Act on Obligatory Occupational Pensions. The contribution pension scheme in Norway meets the legal requirements.

The Group has not granted any loan or collateral to the Chair of the Board or other related parties.

Key management personnel compensation

USD thousands	**2022**	**2021**
Base salary	337	1 223
Pension	19	60
Other Benefits	12	34
Number of options held	-	10 640

For detailed information about executive officers and board of Directors compensation, see the remuneration report 2022.

See note 18 for shares held by the executive officers and Board of Directors.

Note 21 Share based payments programs

The Group has a share-based payment scheme for employees and one member of the Board.

The options granted gives the holder right to purchase a defined number of shares at a predetermined price if the vesting conditions are met. The exercise price has been set to fair value of the shares at grant date.

Set out below are summaries of options granted under the scheme:

	2022		2021	
	Average exercise price per share option (NOK)	**Number of options**	**Average exercise price per share option (NOK)**	**Number of options**
As at 01.01	3,4538	1 625 667	10,1400	405 079
Granted during the year	-	-	1,8000	1 600 000
Adjusted during the year	-	-	106,5452	(231 012)
Terminated during the year	4,2227	(822 867)	9,2401	(148 400)
As at 31.12	2,6657	802 800	3,4538	1 625 667
Vested 31.12	3,4260	402 800	106,5450	25 667
Exercisable 31.12		402 800		25 667

	2022	2021
Share based payment cost (revenue) recognized in the period USD thousand	**10**	**11**

Share options outstanding at the end of the year have the following expiry date:

Grant date	Expiry date	Exercise price	Share options 31 December 2022	Share options 31 December 2021
30.09.2021	30.09.2028	1,70	400 000	800 000
30.09.2021	30.09.2028	1,90	400 000	800 000
15.09.2017	15.09.2022	69,61	-	12 600
27.09.2018	27.09.2023	112,75	-	10 267
01.05.2019	01.05.2024	250,00	2 800	2 800
Total number of options			**802 800**	**1 625 667**

Outstanding instruments overview					
Strike Price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2021	Weighted Average Strike Price
	Outstanding instruments			Vested instruments	
1,70	400 000	4,50	1,70	400 000	1,70
1,90	400 000	5,50	1,90	-	-
250,00	2 800	2,09	250,00	2 800	250,00
	802 800			**402 800**	

The exercise price for the grants was fair value at the grant date. The options can be exercised by buying shares as settlement where one options give right to one share. For the 2021 grant, 25% of the options will be vested 30.03.2022, 30.09.22, 30.03.2023 and 30.09.2023. The fair value at grant date was 0.22 NOK/option.

The fair value has been estimated using the Black-Scholes option pricing model. When calculating fair value at grant date, the Group has assumed a volatility of 47.31% from comparable peers in the oil and gas services for both grants, 0 expected dividends, and a risk-free interest rate of 1,011% for the 2021 grant.

Note 22 Auditors fee

USD thousands		
Expensed audit fee (excluding VAT)	**2022**	**2021**
Statutory audit	128	260
Tax advice (incl. technical assistance with tax return)	63	8
Other attestation services	28	30
Total auditors fee	**219**	**299**

The auditor of the Group and the Norwegian entities is PricewaterhouseCoopers (PwC).

Ernst & Young Egypt (EY) is the auditor for the subsidiary Axxis Geo Solutions Egypt LLC.

Note 23 Subsidiaries and associated companies

The Group comprise of the same legal entities as of 31 December 2022.

Subsidiary of Carbon Transition ASA:	Jurisdiction	Voting rights %
Neptune Seismic AS	Norway	100%
Axxis Geo Solution Inc.	USA	100%
Axxis Multi Client AS	Norway	100%
Axxis Production AS	Norway	100%
Carbon Transition Investment AS	Norway	100%
Axxis Geo Solutions Egypt LLC*	Egypt	100%

* Axxis Production AS owns 99% and Axxis Geo Solutions ASA owns 1% of the shares in the company.

Note 24 Earnings per shares

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share include the weighted average number for ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares. The options described in note 21, are not included in the number of dilutive shares for 2022 or 2021 due to the options is out of money.

Basic earnings (loss) per weighted average number of shares	**2022**	**2021**
Profit (loss) attributable to the ordinary equity holders of the company	1 396	13 935
Average number of outstanding shares	234 496 960	131 501 057
Basic earnings (loss) per weighted average share (USD)	**0,01**	**0,11**
Diluted earnings (loss) per share	**2022**	**2021**
Profit (loss) attributable to the ordinary equity holders of the company	1 396	13 935
Average number of outstanding shares	234 496 960	131 501 057
Diluted earnings (loss) per share (USD)	**0,01**	**0,11**

Note 25 Climate risk

The Group does face risks related to both transition risk (market-related, technological, and changes in regulatory requirements), and in physical risk (extreme weather) as a result of climate change. The risks are assessed to be a medium to long term risk. For consolidated accounts for fiscal year 2022, climate related considerations did not materially affect the Group's estimates and assumptions.

Note 26 Events after reporting period

On 17 January 2023, the Group announced a new Utsira multi-client late sale of USD 0.5 million (net to the Carbon Transition).

6 Financial statement Carbon Transition ASA

6.1. Statement of comprehensive income

USD thousands	Note	2022	2021
Revenue	2	**153**	**3 764**
Other income	2	**-**	**1 163**
Other gains (losses)	2	**666**	**-**
Cost of sales	3	208	(1 038)
Personnel expenses	4	(957)	(2 991)
Other operating expenses		(1 486)	(4 089)
Depreciation	5	(549)	(6 907)
Reversal of impairment intercompany expenses		11 682	-
Operating profit (loss) (EBIT)		**9 716**	**(10 097)**
Gain on debt restructuring	7	-	24 062
Financial income	7	9	12
Financial expenses	7	(5 109)	(4 464)
Currency exchange gain (loss)	7	(849)	(1 575)
Profit (loss) before tax		**3 767**	**7 937**
Income tax (expense)	8	-	-
Profit (loss) for the period		**3 767**	**7 937**
Currency translation adjustments		-	-
Other comprehensive income (loss) for the period		**-**	**-**
Total comprehensive income (loss) for the period		**3 767**	**7 937**

6.2. Statement of financial position

USD thousands

Assets	Note	31.12.2022	31.12.2021
Non-current assets			
Deferred tax asset	8	-	-
Vessel, equipment and maintenance	5	-	3 413
Investment in subsidiaries	9	30 322	9 456
Non current receivables group companies	6	-	5
Financial assets	10	3 029	-
Total non-current assets		**33 351**	**12 875**
Current assets			
Receivables from group companies	6	14 507	28 627
Other current assets	11	108	184
Bank deposits, cash in hand	10,12	912	3 732
Total current assets		**15 526**	**32 543**
Total assets		**48 877**	**45 418**

6.3. Statement of financial position

USD thousands

Equity and Liabilities	Note	31.12.2022	31.12.2021
Equity			
Share capital	13	28 739	28 739
Additional paid-in capital		51 171	51 171
Own shares		(489)	-
Total paid-in capital		**79 422**	**79 910**
Accumulated earnings and other equity		(36 812)	(35 852)
Total Equity		**42 609**	**44 057**
Current liabilities			
Trade payables		77	141
Liabilities to group companies	6	6 001	399
Other current liabilities	14	190	821
Total current liabilities		**6 269**	**1 361**
Total equity and liabilities		**48 877**	**45 418**

Oslo, 30 March 2023

The Board of Directors and CEO of Carbon Transition ASA

Gisle Grønlie
Chairman

Nina Skage
Director

Torstein Sanness
Director

Nils Haugestad
Interim CEO

6.4. Statement of changes in equity

USD thousands	Share capital	Additional paid-in capital	Own shares	Accumulated earnings	Total equity
Balance as of 01.01.2022	**28 739**	**51 171**	**-**	**(35 852)**	**44 057**
Profit (loss) for the period				3 767	3 767
Other comprehensive income (loss)				-	-
Purchase own shares			(489)	24	(464)
Group contribution to and from subsidiary				(4 762)	(4 762)
Share based payment				11	11
Balance as of 31.12.2022	**28 739**	**51 171**	**(489)**	**(36 812)**	**42 609**

USD thousands	Share capital	Additional paid-in capital	Own shares	Accumulated earnings	Total equity
Balance as of 01.01.2021	**840**	**38 453**	**-**	**(43 800)**	**(4 507)**
Profit (loss) for the period				7 937	7 937
Other comprehensive income (loss)				-	-
New shares issued - cash settled	22 800	961			23 760
Cost for new shares issued		(2 163)			(2 163)
Capital increase - debt conversion	5 099	13 920			19 019
Share based payment				11	11
Balance as of 31.12.2021	**28 739**	**51 171**	**-**	**(35 852)**	**44 057**

6.5. Statement of cash flow

USD thousands	Note	2022	2021
Cash flow from operating activities			
Profit before tax		3 767	7 937
Taxes refund (paid)		-	-
Depreciation	5	549	9 787
Reversal of impairment intercompany expenses	6	(11 682)	-
Write-down subsidiaries	7	5 106	-
Changes in other gains and losses	2	(666)	-
Gain reconstruction	2,3	-	(24 062)
Currency (gain)/loss without cash flow effects		0	63
Interest expense	7	0	718
Share based payment cost	17	11	11
Other working capital changes		59	(1 133)
Net cash from operating activities		**(2 855)**	**(6 679)**
Cash flow from investing activities			
Disposal of property, plant and equipment	2,10	500	-
Investment in financial instruments *		-	(9 345)
Net cash flow from investment activities		**500**	**(9 345)**
Cash flow from financing activities			
Repayment of interest-bearing debt	19	-	(1 295)
Payment of lease liabilities (recognized under IFRS 16)	19	-	(23)
Net proceeds from new equity		-	21 597
Investment in own shares		(464)	-
Interest paid lease liabilities		-	(0)
Interest paid	7	(0)	(718)
Net cash flow from financial activities		**(464)**	**19 562**
Net change in cash and cash equivalents		**(2 820)**	**3 537**
Cash and cash equivalents balance 01.01	12	3 732	194
Cash and cash equivalents balance 31.12	12	**912**	**3 732**

* The investment was transferred in 2021 to Carbon Transition Investment AS

6.6. Notes to the financial statements

Note 1 General information about the Company and basis for presentation

General information

Carbon Transition ASA is a public limited listed company incorporated in Norway. The Company is listed on EURONEXT EXPAND OSLO and traded under the ticker CARBN.

The Company's registered office is at Askekroken 11, 0277 Oslo, Norway.

Carbon Transition is an investment company. Carbon comprises an OBN multi-client company and an investment arm. Carbon may invest broadly in listed companies as well as companies expected to be listed in the near term. Carbon has a legacy seismic business operating under the name Axxis Geo Solutions. Under Axxis Geo Solutions, the Company manages a seismic OBN multi-client data library with assets in Norway and Egypt.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union ("EU"), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of 31 December 2021.

The notes are an integral part of the Company's financial statements.

The Company's financial statements have been prepared on a historical cost basis, except for certain financial assets financial instruments that have been measured at fair value.

The Company's financial statements are presented in thousands of USD.

Further, the Company applies the same accounting policies as described in note 1 and 2 in the notes to the consolidated financial statements where relevant, except that unrealized foreign exchange gain (loss) on non-current intercompany loans is recognized in the statements of profit and loss.

Shares in subsidiaries (see note 9) are presented at cost less impairment. Impairment is recognized based upon the carrying value of the individual shares and net intercompany receivables in the subsidiaries less the estimated recoverable amount (based on discounted estimated future cash flows). If estimated recoverable amounts increase, impairment charges are reversed accordingly. There is no fixed plan for repayment of long-term intercompany receivables and payables.

Changes in accounting principles

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the Company's financial statements.

Key accounting estimates and judgement

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates could deviate from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Revenue recognition 2021

The Company uses the percentage of completion method in accounting for revenue for contract seismic surveys. Progress is measured in a manner generally consistent with the physical progress on the project. Use of the percentage of completion method requires the Company to estimate the services performed to date as a proportion of the total service to be performed. The proportion of services performed to total services to be performed can differ from management's estimate, influencing the amount of revenue recognized in the period.

Note 2 Revenue and cost from contract with clients

Revenue of USD 0.2 million in 2022 partly relates to intercompany invoices to Axxis Geo Solutions Inc for compensation for the node business, and partly from the close-down of the subsidiary PT Axxis Geo Solutions in Indonesia (reversal of accruals).

Other gains (losses) include the ocean-bottom seismic contract node on a rope business, which was divested in March 2022 through an earnout agreement with Magseis Fairfield. The net gain of USD 0,7 million is from the sales of the seismic node business to Magseis Fairfield. Under the agreement, Carbon Transition received USD 0.5 million at closing and will receive earnout payments of up to a maximum of USD 12.0 million over the next three years, based on the use of the equipment. There is a minimum payment in year three of USD 1.5 million, subject to certain milestones.

Revenue of USD 3.8 million in 2021 mainly relates intercompany revenues for reimbursement of cost according to transfer pricing agreement.

Other revenue of USD 1.2 million in 2021 is related to Covid-19 compensation.

Note 3 Cost of sales

USD thousands **Cost of sales**	**2022**	**2021**
Vessel cost	-	(220)
Crew & project management	22	(262)
Seismic, source and node equipment	(9)	(280)
Agent related expenses	(117)	(276)
Withholding tax refund	312	-
Total operating expenses	**208**	**(1 038)**

Note 4 Personnel expenses and board remunerations

USD thousands	**2022**	**2021**
Wages and salaries	695	2 100
Social Security costs	165	318
Pension costs	89	150
Other remuneration	17	445
Share based payment expense (refer to note 21 Group)	11	11
Refund salary	(20)	(33)
Total personnel expense	**957**	**2 991**
Number of man-years at 31.12	**2022**	**2021**
Companies in Norway	3,5	7

The Company has a defined contribution pension plan. The contribution plan is a retirement plan in which the Company pays fixed contributions to a separate legal entity. The Company has no further payment obligations once these contributions have been paid. Contributions are booked as cost on an ongoing basis. The Company meets the requirements for occupational pension scheme under the Act on Obligatory Occupational Pensions. The contribution pension scheme in Norway meets the legal requirements.

The Company has not granted any loan or collateral to the Chair of the Board or other related parties.

Key management personnel compensation

USD thousands	**2022**	**2021**
Base salary	249	1 031
Pension	19	60
Other Benefits	2	7
Number of options held	-	-

For detailed information of executive officers and board of Directors compensation, see the remuneration report 2022.

See note 18 for the Group for shares held by the executive officers and Board of Directors.

Note 5 Property, plant and equipment

USD thousands	**Vessel**	**Seismic and node equipment**	**Projects in progress**	**Computer equipment**	**Lease asset**	**Total tangible assets**
2022						
Cost at 01.01.22	**-**	**11 388**	**-**	**196**	**-**	**11 584**
Additions	-	-	-	-	-	-
Disposal	-	(10 000)	-	-	-	(10 000)
Cost at 31.12.22	**-**	**1 388**	**-**	**196**	**-**	**1 584**
Accumulated depreciation 01.01.22	**-**	**(7 976)**	**-**	**(195)**	**-**	**(8 170)**
Depreciation	-	(548)	-	(1)	-	(549)
Disposal	-	7 136	-	-	-	7 136
Accumulated depreciation at 31.12.22	**-**	**(1 388)**	**-**	**(196)**	**-**	**(1 584)**
Carrying amount at 01.01.22	**-**	**3 412**	**-**	**1**	**-**	**3 413**
Carrying amount at 31.12.22	**-**	**(0)**	**-**	**-**	**-**	**(0)**
Economic lifetime	3-10 years	3-5 years		3-10 years	2-5 years	

USD thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Lease asset	Total tangible assets
2021						
Cost at 01.01.21	**8 171**	**17 372**	**29**	**196**	**184**	**25 95**
Additions	-	-	-	-	-	
Disposal	(8 171)	(5 984)	(29)	-	(184)	(14 368
Cost at 31.12.21	**-**	**11 388**	**-**	**196**	**-**	**11 58**
Accumulated depreciation 01.01.21	**(4 717)**	**(9 259)**	**-**	**(153)**	**(162)**	**(14 290**
Depreciation	(351)	(2 967)	-	(42)	(22)	(3 383
Disposal	5 067	4 251	-	-	184	9 50
Accumulated depreciation at 31.12.21	**(0)**	**(7 976)**	**-**	**(195)**	**-**	**(8 170**
Carrying amount at 01.01.21	**3 454**	**8 114**	**29**	**43**	**22**	**11 66**
Carrying amount at 31.12.21	**(0)**	**3 412**	**-**	**1**	**-**	**3 41**
Economic lifetime	3-10 years	3-5 years		3-10 years	2-5 years	

The climate risk for stranded equipment is evaluated as low since the Company has sold the node seismic equipment in March 2022. The book value of assets is zero at the end of 2022.

Note 6 Related parties intercompany

USD thousands		
Non-current receivables group companies	**31.12.2022**	**31.12.2021**
Carbon Transtion Investment AS	-	5
Total non-current receivables group companies	**-**	**5**

USD thousands

Current receivables group companies	31.12.2022	31.12.2021
Axxis Multi Client AS *	-	14 314
Axxis Production AS	11 878	12 358
Axxis Geo Solutions Egypt LLC	395	1 411
PT Axxis Geo Solutions	-	305
Carbon Transition Investment AS	2 223	235
Neptune Seismic AS	11	5
Total receivables group companies	**14 507**	**28 627**

USD thousands

Current liabilities group companies	31.12.2022	31.12.2021
Carbon Transition Investment AS	4 762	-
Axxis Multi Client AS	1 214	-
Axxis Geo Solutions Inc.	25	141
PT Axxis Geo Solutions	-	257
Total liabilites group companies	**6 001**	**399**

For more information on related parties see note 19 for the Group**.**

USD thousands

Revenue from group companies	2022	2021
Axxis Geo Solutions Inc.	96	236
Axxis Multi Client AS	-	692
Axxis Production AS	-	2 832
PT Axxis Geo Solutions	52	-
Total revenue group companies	**148**	**3 760**

* Prior years impairment of intercompany receivables to Axxis Multi Client AS have during 2022 been net reversed by USD 11.7 million and presented as a gain in the statement of comprehensive income.

USD thousands		
Cost from group companies	**2022**	**2021**
Axxis Geo Solutions Inc.	445	1 360
Total cost group companies	**445**	**1 360**

For more information on related parties related to other than group companies see note 19 for the Group.

USD thousands		
Revenue from investment in subsidiaries	**2022**	**2021**
Group contribution correction Axxis Production AS	-	(224)
Group contribution from Carbon Transition AS	-	235
Total revenue from investment in subsidiaries	**-**	**11**

Note 7 Financial items

USD thousands		
Gain on debt restructuring	**2022**	**2021**
Gain on debt restructuring	-	24 062
Total gain on restructuring	**-**	**24 062**
Financial income	**2022**	**2021**
Interest income	4	1
Other financial income	5	-
Group contribution (from subsidiary)	-	11
Total financial income	**9**	**12**
Financial expenses	**2022**	**2021**
Interest expense	(0)	(486)
Interest expense suppliers	-	(231)
Other financial expenses	(3)	(866)
Write-down shares in subsidiaries	(5 106)	(2 881)
Total financial expenses	**(5 109)**	**(4 464)**
Currency exchange gain (loss)	**2022**	**2021**
Exchange gains	406	842
Exchange losses	(1 255)	(2 418)
Total currency exchange gain (loss)	**(849)**	**(1 575)**

Note 8 Tax

USD thousands	2022	2021
Specification of tax expense (income) for the year		
Current income tax (including withholding tax)	-	-
Change in deferred tax	-	-
Total tax expense (income)	**-**	**-**

Reconciliation of actual against expected tax expense (income) at the income tax rate of 22%		
Profit (loss) before tax	3 767	7 937
22% tax	829	1 746
Tax effect from:		
Withholding tax abroad	-	-
Permanent differences	6 696	696
Not booked deferred tax assets	(7 820)	(1 633)
Currency effect	285	(809)
Receive Group contribution	10	
Calculated tax expense (income)	**(0)**	**-**
Effective tax rate for the Company	(0.0)	-

USD thousands	31.12.2022	31.12.2021
Temporary differences		
Non current assets	(5 002)	(4 109)
Accruals	(1 385)	(41 580)
Gain/loss account	(2)	(1 934)
Accumulated loss carried forward	(8 551)	(8 783)
Temporary differences at 31.12.	**(14 940)**	**(56 408)**
Deferred tax assets (liabilities)	**3 287**	**12 410**

Deferred tax assets are not recognized per December 2022. The management evaluated the deferred tax assets to be uncertain when to be utilized in the future. This evaluation is performed yearly.

There is no time limit for use of loss carried forward in Norway.

Note 9 Subsidiaries and associated companies

Carbon Transition ASA (CT ASA) comprise of the following legal entities as at 31 December 2022

USD thousands

Subsidiary of Carbon Transition ASA:	Jurisdiction	Total Equity	Net Income/ (loss)	Carrying value
Neptune Seismic AS	Norway	(13)	(4)	-
Axxis Geo Solution Inc.	USA	25	(118)	-
Axxis Multi Client AS	Norway	32 827	15 399	25 971
Axxis Production AS	Norway	(9 550)	367	-
Carbon Transition Investment AS	Norway	9 361	(13 437)	4 351
Axxis Geo Solutions Egypt LLC*	Egypt	3 713	500	1
Total		**36 364**	**2 707**	**30 322**

** Axxis Geo Solutions Egypt LLC is owned by Axxis Production AS 99% and Carbon Transition ASA by 1% of the shares.*

The Company holds 100 percent of all shares (except Axxis Geo Solution Egypt LLC as mentioned above) and all voting rights for its subsidiaries.

The main change from 2021 is conversion of intercompany receivables to shares in subsidiaries in Axxis Multi Client AS, as of year-end the shares has partly been written down. Further write-down was partly performed in Carbon Transition Investment AS, fully write-down of the shares in Axxis Production AS and Axxis Geo Solution Inc was performed. In addition, the subsidiary Axxis Geo Solutions PT was finally closed during 2022.Carbon Transition ASA (CT ASA) comprise of the following legal entities as of 31 December 2021

USD thousands

Subsidiary of Carbon Transition ASA:	Jurisdiction	Total Equity	Net Income/ (loss)	Carrying value
Neptune Seismic AS	Norway	(9)	(5)	-
Axxis Geo Solution Inc.	USA	17	(20)	100
Axxis Geo Solutions PT*	Indonesia	427	(7)	-
Axxis Multi Client AS	Norway	(38 543)	(3 448)	-
Axxis Production AS	Norway	(8 512)	(8 112)	6
Carbon Transition Investment AS	Norway	18 471	9 122	9 351
Axxis Geo Solutions Egypt LLC**	Egypt	3 951	(865)	1
Total		**(24 198)**	**(3 334)**	**9 456**

* The formal shareholdings in Axxis Geo Solutions PT are 49 %. The Group has control of operating decisions and is exposed to 100 % of variability of the company's results through a shareholder agreement. Because of this, no non-controlling interest has been recognized in the financial statements.

** Axxis Geo Solutions Egypt LLC is owned by Axxis Production AS 99% and Carbon Transition ASA by 1% of the shares.

The Company holds 100 percent of all shares (except Axxis Geo Solution PT and Axxis Geo Solution Egypt LLC as mentioned above) and all voting rights for its subsidiaries.

Note 10 Categories of financial instruments

USD thousands

Financial assets at amortized cost	**31.12.2022**	**31.12.2021**
ASSETS		
Financial assets	3 029	-
Cash and cash equivalents	912	3 732
Total financial assets	**3 941**	**3 732**

Financial liabilities at amortized cost	**31.12.2022**	**31.12.2021**
LIABILITIES		
Trade payables	77	141
Other current liabilities	190	821
Total financial liabilities	**267**	**962**

Carbon Transition ASA exposure to various risks associated with the financial instruments is discussed in note 15 Financial risk management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Transaction price

Financial assets is from the ocean-bottom seismic contract node on a rope business was divested in March 2022 through an earnout agreement with Magseis Fairfield. Under the agreement, Carbon Transition received USD 0.5 million at closing and will receive earnout payments of up to a maximum of USD 12.0 million over the next three years, based on the use of the equipment. There is a minimum payment in year three of USD 1.5 million, subject to certain milestones. An entity shall include in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. the Group used best estimates and discounted to net present value.

Note 11 Other current assets

USD thousands	31.12.2022	31.12.2021
Prepayments	56	145
VAT settlement	51	39
Total other current assets	**108**	**184**

Note 12 Bank deposits, cash in hand

USD thousands	31.12.2022	31.12.2021
Bank deposits	870	3 646
Restricted bank deposits	42	86
Total bank deposits	**912**	**3 732**

Restricted bank deposits relate to employee withholding tax. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Company. The account is used to settle employee withholding tax.

Note 13 Share capital and shareholder information

Please see note 18 in the Group for more information.

Note 14 Other current liabilities

USD thousands	31.12.2022	31.12.2021
Holiday pay owed	77	167
Other accrued costs	113	654
Total other current liabilities	**190**	**821**

Note 15 Financial risk management

Capital Management – see note 14 in the Group for more information

Financing risk – see note 14 in the Group for more information

(i) Credit risk– see note 14 in the Group for more information

(ii) Market risk - interest rate– see note 14 in the Group for more information

(iii) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its payment obligations.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Company's strategy for managing liquidity risk is to always have sufficient liquidity in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the Company`s reputation. The Company may need access to long-term funding. There can be no assurance that available funding sources are accessible when needed nor can there be any assurance that the Company will be able to raise new equity on favorable terms and in amounts necessary to conduct its on-going and future operations, should this be required. Furthermore, there can be no assurance that the Company will be able to obtain additional shareholder funding. Failure to access necessary liquidity could require the Company to scale back its business or could have other materially adverse consequences for its business and its ability to meet its obligations.

The table below provides an overview of the maturity profile of all financial liabilities. For bank loans the stated amount includes estimated interest payments. In cases where the counterparty may claim earlier redemption, the amount is placed in the earliest period and the payment may be required from the counterparty.

2022

	Remaining Term					
USD thousands	**0-3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**Total**
Trade payables	77	-	-	-	-	77
Other current liabilities	190	-	-	-	-	190
Total	**267**	**-**	**-**	**-**	**-**	**267**

(iv) Market risk - foreign exchange rates

The Company operates internationally and is exposed to foreign exchange risk, primarily the NOK. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Company entity. The Company is exposed to currency risk as some parts of the Company's expenses are denominated in NOK. Profit after tax for the Company is also affected by changes in exchange rates, as expenses and payables are converted to USD.

The NOK denominated payables are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has not been hedged.

The table below shows the Company's sensitivity to potential changes in exchange rates. Then the calculation in the table below shows the effect on profit / loss on the average exchange rate.

USD thousands	**Change in exchange rate USD/NOK**	**Effect on profit before tax**	**Effect on OCI**
2022	+ 10 %	(193)	-
	- 10 %	236	-
2021	+ 10 %	722	-

Note 16 Auditors fee

USD thousands		
Expensed audit fee (excluding VAT)	**2022**	**2021**
Statutory audit	74	174
Tax advice (incl. technical assistance with tax return)	4	7
Other attestation services	28	19
Total auditors fee	**105**	**200**

The auditor of the Company is PricewaterhouseCoopers (PwC).

Note 17 Share based payments programs

Please see note 21 in the Group for more information.

Note 18 Commitments

As of December 2022, the Group had commitments related to office rent for the Oslo office until September 2023. As of December 2021, the Company had commitments related to office rent for the Oslo office until September 2022. The cost for short term leases of office rent for 2022 was USD 0.1 million and USD 0.1 million for 2021. The cost for short-term leases of seismic equipment was zero in 2022 and USD 0.2 million in 2021.

Note 19 Interest bearing debt and cash flow information

There was no interest-bearing debt as of 31 December 2022 or as of 31 December 2021. All loans were settled because of the legal court reconstruction in 2021.

	Liabilities arising from financing activities		
USD thousands	**Interest bearing debt**	**Lease liabilities**	**Total**
01.01.2021	**33 905**	**24**	**33 929**
Repayment of interest-bearing debt	(1 295)	-	(1 295)
Payment of lease liabilities		(24)	
Other*	(32 610)		(32 610)
31.12.2021	**-**	**-**	**-**

** Mainly related to debt forgiveness related to the reconstruction process.*

Note 20 Events after reporting period

See note 26 in the Group for more information.

7 Auditors report

To the General Meeting of Carbon Transition ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Carbon Transition ASA, which comprise:

- the financial statements of the parent company Carbon Transition ASA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Carbon Transition ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of change in equity and the consolidated statement of cash flow 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,
- 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 International Financial Reporting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

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 and the Group 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 2 years from the election by the general meeting of the shareholders on 23 June 2021 for the accounting year 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other event that qualified as new Key Audit Matters for our audit of the 2022 financial statements. Furthermore, *Valuation of multi-client library* and *Valuation of investments* have the same characteristics and risks as in the prior year, and therefore continues to be an area of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of multi-client library	
Valyation of multi-client library has been an area of focus as it accounts for approximately 70% of the Group' total assets per 31 December 2022. Management applied judgment in determining whether the carrying amount of the multi-client library exceeded the recoverable amount. Specifically, judgement was applied when determining assumptions such as expected discounted future cash flows. Furthermore, there is an inherent uncertainty in forecasting future sales of the multi-client library which is impacted by factors such as: the overall exploration and production spending within the oil and gas industry, interest in specific regions, whether licenses to perform exploration in the various regions exist or will be awarded in the future and other factors. Even small changes in assumptions, including the discount rate, may impact the value of the multi-client library. We refer to note 11, where management explains how the multi-client libraries are valued under IAS 36 and IAS 38.	We obtained and gained an understanding of management's impairment assessment related to the multi-client library. We evaluated management's assessment of impairment indicators and management's estimates related to sales forecasts. Our audit procedures included inquiries and evaluations of management and senior sales personnel's assumptions regarding the current market, licensing rounds and exploration activities. This included inspection of supporting documentation, assessing the basis for key assumptions, and testing of the key assumptions. We found no significant deviations. Furthermore, we evaluated and found that the valuation method applied was reasonable. We assessed the discount rate by comparing key components used with external market data, as well as comparing the overall level with discount rates used by other companies within the industry. We considered that the discount rates were within an appropriate range. We also tested mathematical accuracy of the fair value less cost of disposal calculations by recalculating the fair value less cost of disposal model. We found the assessment to be mathematically accurate. We evaluated the disclosures in note 11 and found them to appropriately describe the assessment of carrying value of the multi-client libraries.

Valuation of investments

Valuation of investments has been an area of focus as the investments account for approximately 13% of the Group's total assets per 31 December 2022. Some of the investments are unlisted and valuated with use of unobservable inputs and classified as level 3 in the fair value hierarchy. A certain degree of judgement is applied in determining the assumptions that market participants would use when observable market pricing data is not available. We refer to note 12, where management explains their valuation techniques and assumptions used in the model to determine fair value per 31 December 2022.	We evaluated management's valuation processes. Our audit procedures included inquiries, inspection of supporting documentation, assessing the basis for key assumptions, and testing the key assumptions. We found that management's processes and their assessment to be reasonable. We evaluated management's assumptions through comparing the data they used to observable inputs in external markets where such data was available, and to other internal data where we deemed those as reliable audit evidence. We evaluated the disclosures in note 12 and found that the disclosure appropriately describes the valuation of the investments.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and 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 information in the Board of Directors' report nor the other information accompanying the financial statements.

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

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

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 International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 and the Group's internal control.

- 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 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 and the Group'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 and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Carbon Transition ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Carbon TransitionASA-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 30 March 2023
PricewaterhouseCoopers AS

Martin Alexandersen
State Authorised Public Accountant
(This document is signed electronically)

Auditor's report

Signers:

Name	*Method*	*Date*
Alexandersen, Martin H	BANKID	2023-03-30 07:41

CARBON
TRANSITION

Investing in a sustainable future.

Askekroken 11
0277 Oslo
Norway