Allarity Therapeutics A/S

Venlighedsvej 1, DK-2970 Hørsholm

CVR no. 28 10 63 51

Annual report for 2021

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 15.08.22

Lars Lüthjohan
Dirigent

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Company information etc.

The company

Allarity Therapeutics A/S
Venlighedsvej 1
DK-2970 Hørsholm
Registered office: Rudersdal
CVR no.: 28 10 63 51
Financial year: 01.01 - 31.12

Executive Board

James G. Cullem

Board of Directors

Duncan Moore
Søren Gade Jensen
Gail Maderis

Auditors

Pricewaterhousecoopers Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.21 - 31.12.21 for Allarity Therapeutics A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.21 and of the results of the company's activities for the financial year 01.01.21 - 31.12.21.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Hørsholm, July 28, 2022

Executive Board

James G. Cullem

Board of Directors

Duncan Moore Chairman	Søren Gade Jensen	Gail Maderis

Independent auditor's report

To the Shareholder of Allarity Therapeutics A/S

Opinion

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.21 and of the results of the company's operations for the financial year 01.01.21 - 31.12.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

We have audited the financial statements of Allarity Therapeutics A/S for the financial year 01.01.21 - 31.12.21, which comprise the income statement, balance sheet and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

Hellerup, July 28, 2022

Pricewaterhousecoopers
Statsautoriseret
Revisionspartnerselskab
CVR no. 33771231

Torben Jensen	Thomas Lauritsen
State Authorized Public Accountant	State Authorized Public Accountant
MNE-no. mne18651	MNE-no. mne34342

Primary activities

The Company is holding approx 5 % shares in Allarity Therapeutics Inc at 31 December 2021. Approx. 2.5 % additional shares were swapped with shareholders in January 2022. The remaining approx. 2.5 % shares will be distributed to the shareholders as part of the liquidation of the Company. The liquidation of the Company is expected to be initiated in the second half of 2022.

Allarity Therapeutics Inc is responsible for the liquidation expenses of Allarity Therapeutics, A/S.

Development in activities and financial affairs

The income statement for the period 01.01.21 - 31.12.21 shows a profit/loss of DKK'000 565,758 against DKK'000 -43,011 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK'000 31,307.

Treasury shares

Treasury shares consist of:

	Purchase-/salesprice DKK '000	Percent of capital
Additions during the year	8,977	2.25%
Adjustment due to capital decrease	0	15.99%
Holding of treasury shares as at 31.12.21		18.24%

Income statement

Note		2021 DKK '000	2020 DKK '000
	Other operating income	460,115	-2,100
	Other external expenses	-56,281	-26,972
	Gross result	**403,834**	**-29,072**
3	Staff costs	-7,469	-5,609
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**396,365**	**-34,681**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-115	-459
	Operating profit/loss	**396,250**	**-35,140**
	Income from equity investments in group enterprises	189,154	-12,681
4	Financial income	1,883	7,856
	Financial expenses	-21,255	-6,041
	Profit/loss before tax	**566,032**	**-46,006**
	Tax on profit or loss for the year	-274	2,995
	Profit/loss for the year	**565,758**	**-43,011**

Proposed appropriation account

	2021 DKK '000	2020 DKK '000
Retained earnings	565,758	-43,011
Total	**565,758**	**-43,011**

Balance sheet

ASSETS

Note		31.12.21 DKK '000	31.12.20 DKK '000
	Acquired rights	0	87
	Development projects in progress	0	1,045
	Total intangible assets	**0**	**1,132**
	Plant and machinery	0	62
	Total property, plant and equipment	**0**	**62**
	Equity investments in group enterprises	0	43,286
	Other investments	31,232	5,119
	Total investments	**31,232**	**48,405**
	Total non-current assets	**31,232**	**49,599**
	Receivables from group enterprises	0	738
	Income tax receivable	0	2,907
	Other receivables	0	905
	Prepayments	0	4,863
	Total receivables	**0**	**9,413**
	Cash	**795**	**1,583**
	Total current assets	**795**	**10,996**
	Total assets	**32,027**	**60,595**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.21 DKK '000	31.12.20 DKK '000
	Share capital	1,390	10,630
	Share premium	484,713	388,236
5	Foreign currency translation reserve	-4	-13
	Retained earnings	-454,792	-361,355
	Total equity	**31,307**	**37,498**
	Convertible and profit-sharing debt instruments	0	9,246
	Payables to other credit institutions	0	507
	Trade payables	240	7,148
	Payables to group enterprises	0	3,465
	Income taxes	193	61
	Other payables	287	2,670
	Total short-term payables	**720**	**23,097**
	Total payables	**720**	**23,097**
	Total equity and liabilities	**32,027**	**60,595**

6 Fair value information
7 Contingent liabilities

1. Information as regards going concern

The Company is going to be liquidated. Management is monitoring the Company's financial position and Allarity Therapeutics Inc. is responsible for the liquidation expenses of Allarity Therapeutics A/S. The net current assets of the Company amounts to DK 75k at 31 December 2021.

The Company is dependent on financial support from Allarity Therapeutics Inc. to cover liquidation expenses. It has been agreed between Allarity Therapeutics A/S and Allarity Therapeutics Inc in the Share & Purchase Agreement that Allarity Therapeutics Inc. will cover the liquidation expenses of Allarity Therapeutics A/S.

The Company's ability to cover all liquidation expenses dependent upon Allarity Therapeutics Inc. ability to obtain additional capital in the future. Allarity Therapeutics Inc. is working to ensure financing from investors in order to secure the necessary liquidity to continue operations. Different options are being explored at the moment and Allarity Therapeutics Inc.'s Management expects that a solution is reached and the necessary funds will be available during 2022/23.

2. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2021 DKK '000	2020 DKK '000
Gain on the disposal of intangible assets	Other operating income	446,668	0
Gain on the divestment of group enterprises	Income from equity investments in group enterprises	189,154	0
Total		635,822	0

3. Staff costs

Wages and salaries	7,365	5,444
Pensions	49	121
Other staff costs	55	44
Total	7,469	5,609
Average number of employees during the year	7	6

4. Financial income

Interest, group enterprises	0	986
Other interest income	1,013	0
Foreign exchange gains	870	1,329
Other financial income	0	5,541
Other financial income	1,883	6,870
Total	1,883	7,856

	31.12.21 DKK '000	31.12.20 DKK '000

5. Foreign currency translation reserve

Foreign currency translation reserve, beginning of year	-13	0
Foreign currency translation adjustment of foreign enterprises	9	-13
Total	-4	-13

6. Fair value information

Figures in DKK '000	Listed securities and equity investments	Total
Fair value as at 31.12.21	30,949	30,949
Unrealised changes of fair value recognised in the income statement for the year	-9,482	-9,482

Other Investments comprised of listed shares in Allarity Therapeutics Inc. The shares can only be disposed to the shareholders of Allarity Therapeutics A/S.

7. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

8. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

8. Accounting policies - continued -

INCOME STATEMENT

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	5	0
Plant and machinery	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

8. Accounting policies - continued -

Income from equity investments in group entreprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

8. Accounting policies - continued -

BALANCE SHEET

Intangible assets

Development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise plant and machinery.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

8. Accounting policies - continued -

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

8. Accounting policies - continued -

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.
Acquisition costs and consideration for treasury shares as well as dividends therefrom are recognised directly in equity under retained earnings.

8. Accounting policies - continued -

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Convertible debt instruments are issued on terms that entitle the lender to convert the loan into equity interests in the company.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.