Annual report for 2023

Allarity Therapeutics Europe ApS
Venlighedsvej 1, 2970 Hørsholm
CVR no. 34 62 35 62

Adopted at the annual general meeting on 28 June 2024

Lars Lüthjohan
chairman

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Allarity Therapeutics Europe ApS for the financial year 1 January - 31 December 2023.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the Company in general meeting.

Hørsholm, 28 June 2024

Executive board

Steen Meier Knudsen CEO	Joan Yvonne Brown CFO

Independent practitioner’s extended review report

To the shareholder of Allarity Therapeutics Europe ApS

Opinion

We have performed an extended review of the financial statements of Allarity Therapeutics Europe ApS for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the provisions of the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our extended review in accordance with the Danish Business Authority’s Assurance Standard for Small Enterprises and FSR - Danish Auditors’ standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner’s responsibilities for the extended review of the financial statements" section of this report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Material uncertainty related to going concern

We draw attention to note 2 to the annual report, regarding the companys ability to continue as a going concern, that states that the Company is dependent on financial support from the Parent Company to continue its operations. The Company has received a letter of support from its Parent Company and it is managements accessment, that this will ensure the companys ability to pay it's obligations as they fall due, hence continue as a going concern.
We have not modified our opinion in this regard.

Management's responsibilities for the financial statements

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

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

Independent practitioner’s extended review report

Practitioner’s responsibilities for the extended review of the financial statements
Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 28 June 2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Leon Thomas Ravn Fagerlind
State Authorised Public Accountant
mne49914

Company details

The company	Allarity Therapeutics Europe ApS Venlighedsvej 1 2970 Hørsholm	
	CVR no.:	34 62 35 62
	Reporting period:	1 January - 31 December 2023
	Domicile:	Rudersdal
Executive board	Steen Meier Knudsen, CEO Joan Yvonne Brown, CFO	
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S	
General meeting	The annual general meeting is held at the Company's address on 28 June 2024.	

Business review

The Company is a clinical stage pharmaceutical company that develops drugs for the personalized treatment of cancer using drug specific companion diagnostics generated by its proprietary drug response predictor technology, DRP®.

The Company is a wholly owned subsidiary of Allarity Acquisition Subsidiary, Inc. a Delaware, United States incorporated company; a wholly owned subsidiary of Therapeutics, Inc., a Delaware, United States incorporated Company listed on NASDAQ, in the United States of America. Allarity Therapeutics, Inc. is the ultimate parent company ("Parent Company") which through its wholly owned subsidiary Allarity Acquisition Subsidiary, Inc., a Delaware, United States incorporated company owns 100% of Allarity Therapeutics Denmark ApS and 100% of Allarity Therapeutics Europe ApS (collectively referred to as the "Group" or the "Allarity Group".

Recognition and measurement uncertainties

In the financial statements for the financial year 01.01.23 - 31.12.23, it is important to note the following uncertainty with regard to recognition and measurement, as it has had a significant influence on the assets and liabilities recognised in the financial statements:

On 20 December 2021, the Company acquired DRP technology and IP rights from Allarity Therapeutics A/S together with employees and other assets and liabilities. The acquired business was valued based on the market value of Allarity Therapeutics in December 2021. The market value of Allarity Therapeutics has declined significantly in 2022, which resulted in an impairment charge in 2022.

As of the year ended December 31, 2023, because of continuing downward pressure on the Patent Company's common stock, we performed an impairment assessment and determined that no further impairment of our intangible assets is required as of December 31, 2023.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of kDKK 48.735, and the balance sheet at 31 December 2023 shows equity of kDKK 195.023.

The Company's financial position complies is as expected.

Financing

Significant uncertainty as regards going concern

The Company has received a letter of support from Allarity Therapeutics Inc. We refer to note 2 for further information.

As a result of the Parent Company's recent financing activities during March, April and May 2024, the current liquidity of the Allarity Group is expected to last through December 31, 2025.

The Company's ability to continue its operations is dependent upon the Allarity Group's ability to obtain additional capital in the future.

The Company's financial statements for the year ended 31 December 2023 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future.

These financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue as a going concern.

Significant events occurring after the end of the financial year

License Agreement with Novartis for Dovitinib

On January 26, 2024, we received a termination notice from Novartis due to a material breach of the License Agreement. Accordingly, under the terms of the License Agreement, the Company ceased all development and commercialization activities with respect to all licensed products, all rights and licenses granted by Novartis to the Company reverted to Novartis; and all liabilities due to Novartis became immediately due and payable inclusive of interest which is continuing to accrue at 5% per annum.

Since the Company has recently revised its clinical program to focus solely on Stenoparib, management does not expect that the termination of its agreement with Novartis will have a significant impact upon its business.

No other events that could significantly affect the financial statements have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2023	2022
		kDKK	kDKK
Gross profit		**-49.354**	**-42.967**
Staff costs	5	-6.261	-8.775
Profit/loss before amortisation/depreciation and impairment losses		**-55.615**	**-51.742**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-196	-118.683
Profit/loss before net financials		**-55.811**	**-170.425**
Financial income		1.752	0
Financial costs		-219	-3.222
Profit/loss before tax		**-54.278**	**-173.647**
Tax on profit/loss for the year		5.543	31.209
Profit/loss for the year		**-48.735**	**-142.438**

Distribution of profit

	2023	2022
	kDKK	kDKK
Recommended appropriation of profit/loss		
Retained earnings	-48.735	-142.438
	-48.735	**-142.438**

Balance sheet 31 December

	Note	2023	2022
		kDKK	kDKK
Assets			
Acquired development projects		348.431	348.431
Acquired patents		274	396
Intangible assets		**348.705**	**348.827**
Plant and machinery		97	144
Other fixtures and fittings, tools and equipment		41	0
Right-of-use assets		0	41
Tangible assets		**138**	**185**
Deposits		511	951
Fixed asset investments		**511**	**951**
Total non-current assets		**349.354**	**349.963**
Receivables from group enterprises		5.801	5.799
Other receivables		610	568
Corporation tax		5.500	5.500
Prepayments		669	1.797
Receivables		**12.580**	**13.664**
Cash		**302**	**2.316**
Total current assets		**12.882**	**15.980**
Total assets		**362.236**	**365.943**

Balance sheet 31 December

	Note	2023	2022
		kDKK	kDKK
Equity and liabilities			
Share capital		2.207	2.207
Share premium account		436.526	436.526
Retained earnings		-243.710	-194.975
Equity		**195.023**	**243.758**
Provision for deferred tax		12.372	12.415
Total provisions		**12.372**	**12.415**
Trade payables		51.140	39.433
Payables to group enterprises		103.239	68.861
Other payables		462	1.419
Contract liabilities		0	57
Total current liabilities		**154.841**	**109.770**
Total liabilities		**154.841**	**109.770**
Total equity and liabilities		**362.236**	**365.943**
Uncertainty about the continued operation (going concern)	2		
Uncertainty in the recognition and measurement	3		
Subsequent events	4		
Rent and lease liabilities	6		
Contingent liabilities	7		
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Statement of changes in equity

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2023	2.207	436.526	-194.975	243.758
Net profit/loss for the year	0	0	-48.735	-48.735
Equity at 31 December 2023	**2.207**	**436.526**	**-243.710**	**195.023**

Notes

1 Accounting policies

The annual report of Allarity Therapeutics Europe ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2023 is presented in DKK.

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 amortisation, depreciation and impairment losses, 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 the asset 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 the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Notes

1 **Accounting policies**

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue.

Gross profit reflects an aggregation of other income, costs of raw materials and consumables and other external expenses.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in the clinical trials and comprise as research and development costs.

Other operating income

The item Other operating income includes items of a secondary nature relative to the company's activities.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, etc.

Other external expenses also comprise research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise the year's depreciation, amortisation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to realised and unrealised capital/exchange gains and losses on liabilities and foreign currency transactions, amortisation of financial assets and liabilities.

1 Accounting policies

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

The Company acts as management company for all jointly taxed entities and, in its capacity as such, pays all income taxes to the Danish tax authorities.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise acquired costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the Company's development activities.

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

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

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the term of the licence, however not more than 8 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Notes

1 Accounting policies

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Plant and machinery	5 years	0 %
Other plant, fixtures and fittings, tools and equipment	5 years	0 %

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

Notes

1 Accounting policies

Impairment of fixed assets

The carrying amount of intangible assets, items of property, plant and equipment is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Management assesses its capitalized development costs for impairment at year end date as well as when events and circumstances indicate there is a potential impairment.

Significant quantitative indicators considered are the Company’s market capitalization, market share, length of remaining clinical trials, and projected revenue per treatment.

As of December 31, 2023, management completed an impairment test and determined capitalized development costs were not impaired.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash

Cash comprises cash and deposits at banks.

Income tax and deferred tax

As management company, Allarity Therapeutics Europe ApS is liable for payment of its affiliated Danish companies’ corporate income taxes to the tax authorities.

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

The Company and all its Danish group affiliated entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

1 Accounting policies

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Corporation Tax receivable

Denmark allows loss making companies the opportunity to apply for a payment equal to the tax value (22%) of negative taxable income related to R&D costs. The negative taxable income is calculated on the total negative income of the companies participating in the joint taxation. The tax payment according to this rule cannot exceed an amount of DKK 5.5 million, corresponding to a tax loss relating to R&D expenditure of DKK 25 million. The tax credit is recorded as corporation tax receivable and other income within research and development expenses, thereby reducing research and development expenses.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

2 Uncertainty about the continued operation (going concern)

As a development company, and like other similar companies, Allarity Therapeutics Europe ApS has incurred negative cash flows over the years. Consequently, the Company is dependent on financing until positive cash flow is achieved. Management is constantly monitoring the Company's financial position and is prepared to take adequate measures to secure the ongoing activities of the Company. In the year 2023, the Company recorded a loss of kDKK 48,777 and the Company's current liabilities exceed the Company's current assets by kDKK 141,957. The Company is financed by intercompany advances from its United States incorporated parent, Allarity Therapeutics, Inc. ("Parent Company"). The Company is dependent on financial support from the Parent Company to continue its operations. The Company has received a letter of support from its Parent Company, effective to 1 January 2026.

As a result of the Parent Company's recent financing activities during March, April and May 2024, the current liquidity of the Allarity Group is expected to last through December 31, 2025.

The Company's ability to continue its operations is dependent upon the Allarity Group's ability to obtain additional capital in the future.

The Company's financial statements for the year ended 31 December 2023 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future.

These financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue as a going concern.

The above indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern, but the Executive Board has confidence in the Company as a going concern, and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

3 Uncertainty in the recognition and measurement

In the financial statements for 2023, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

Acquired intangible assets represents the fair value assigned to research and development assets that the Company acquires and have not been completed at the acquisition date. The fair value of the intangible assets acquired is recorded on the balance sheets at the acquisition-date and is determined by estimating the costs to develop the technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the projected net cash flows to present value.

The projected discounted cash flow models used to estimate the fair value of the intangible assets reflect significant assumptions regarding the estimates a market participant would make in order to evaluate an intangible development asset, including the following:

- Estimates of obsolescence of development expenditure

- Probability of successfully completing clinical trials and obtaining regulatory approval

- Estimates of future cash flows from potential milestone payments and royalties related to out-licensed product sales; and

- A discount rate reflecting the Company's weighted average cost of capital and specific risk inherent in the underlying assets.

Once brought into use, intangible assets are amortized over their estimated useful economic lives, which for acquired intangible assets is over the remaining life of the relevant patents.

The market value of Allarity Therapeutics has declined significantly in 2022, which resulted in an impairment charge in 2022.

As of the year ended December 31, 2023, because of continuing downward pressure on the Company's common stock, we performed an impairment assessment and determined that no further impairment of our intangible assets is required as of December 31, 2023.

Tax Credit
Income tax receivable amounting to DKK 5,500 thousands relates to the expected refund of tax credit under the Danish Tax Credit Scheme, according to which the company can get a refund of the tax value related to costs for research and development activities.

Based on an evaluation of the criteria for using the scheme, it is Management's assessment that the company qualifies for using the scheme. The recognition of the receivable is based on this assessment.

Whether the criteria are met, is subject to an estimate, with an underlying risk and uncertainty. The Danish Tax Authorities may have another opinion and in this case, there could be a risk that the Company will not receive the tax receivable of DKK 5,500 thousands.

It is Management's assessment that the company also qualifies for using the scheme in prior years, thus no provision has been included in this respect.

4 Subsequent events

License Agreement with Novartis for Dovitinib
On January 26, 2024, we received a termination notice from Novartis due to a material breach of the License Agreement. Accordingly, under the terms of the License Agreement, the Company ceased all development and commercialization activities with respect to all licensed products, all rights and licenses granted by Novartis to the Company reverted to Novartis; and all liabilities due to Novartis became immediately due and payable inclusive of interest which is continuing to accrue at 5% per annum.
Since the Company has recently revised its clinical program to focus solely on Stenoparib, management does not expect that the termination of its agreement with Novartis will have a significant impact upon its business.

No other events that could significantly affect the financial statements have occurred after the balance sheet date.

		2023	2022
		kDKK	kDKK
5	**Staff costs**		
	Wages and salaries	6.218	8.731
	Other social security costs	41	43
	Other staff costs	2	1
		6.261	**8.775**
	Number of fulltime employees on average	5	5

		2023	2022
		kDKK	kDKK
6	**Rent and lease liabilities**		
	Rent and lease liabilities		
	Lease liabilities, 12-month period of interminability	702.000	682.000

7 Contingent liabilities

As management company, 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 Related parties and ownership structure

Consolidated financial statements

The Company's financial results are included in the consolidated financial statements of the parent Allarity Therapeutics Inc., Delaware, USA.