
Oncology Venture Product Development ApS

Venlighedsvej 1, DK-2970 Hørsholm

Annual Report for 2020

CVR No. 34 62 35 62

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 30/6 2021

Thomas Henrik Jensen
Chairman of the
general meeting



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Management's statement

The Executive Board has today considered and adopted the Financial Statements of Oncology Venture Product Development ApS for the financial year 1 January - 31 December 2020.

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

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Financial Statements be adopted at the Annual General Meeting.

Hørsholm, 30 June 2021

Executive Board

Thomas Henrik Jensen
Manager

Independent Auditor's report

To the shareholder of Oncology Venture Product Development ApS

Opinion

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

We have audited the Financial Statements of Oncology Venture Product Development ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement 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, 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, 30 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

mne18651

Thomas Lauritsen

State Authorised Public Accountant

mne34342

Company information

The Company	Oncology Venture Product Development ApS Venlighedsvej 1 DK-2970 Hørsholm CVR No: 34 62 35 62 Financial period: 1 January - 31 December Incorporated: 1 August 2012 Financial year: 8th financial year Municipality of reg. office: Rudersdal
Executive board	Thomas Henrik Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Management's review

Key activities

Oncology Venture Product Development ApS is a Danish Drug Development company formed in 2012 dedicated to unlock the potential of new oncology products, and rescue failed - to improve the efficacy of the drugs, increase the response rate in cancer patients, reduce timelines and through this improve success rates in Oncology Drug Development.

Development in the year

The income statement of the Company for 2020 shows a loss of DKK 18,557k, and at 31 December 2020 the balance sheet of the Company shows negative equity of DKK 147,061k.

Unusual events

The financial position at 31 December 2020 of the Company and the results of the activities of the Company for the financial year for 2020 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
Gross loss		-13,158	-27,706
Staff expenses	3	-2,929	-4,411
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-823	-7,006
Profit/loss before financial income and expenses		-16,910	-39,123
Financial income	4	6,952	4,238
Financial expenses	5	-10,949	-4,057
Profit/loss before tax		-20,907	-38,942
Tax on profit/loss for the year	6	2,350	4,977
Net profit/loss for the year		-18,557	-33,965

Distribution of profit

	2020 TDKK	2019 TDKK
Proposed distribution of profit		
Retained earnings	-18,557	-33,965
	-18,557	-33,965

Balance sheet 31 December

Assets

	Note	2020	2019
		TDKK	TDKK
Acquired patents		425	682
Development projects in progress		10,129	9,000
Intangible assets	7	10,554	9,682
Plant and machinery		68	173
Other fixtures and fittings, tools and equipment		0	0
Property, plant and equipment	8	68	173
Investments in subsidiaries	9	8,653	8,653
Deposits		216	211
Fixed asset investments		8,869	8,864
Fixed assets		19,491	18,719
Receivables from group enterprises		15,651	10,639
Other receivables		521	1,699
Corporation tax receivable from group enterprises		2,350	3,170
Prepayments		57	446
Receivables		18,579	15,954
Cash at bank and in hand		100	5,607
Current assets		18,679	21,561
Assets		38,170	40,280

Balance sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		2,197	2,197
Retained earnings		-149,258	-130,701
Equity		-147,061	-128,504
Payables to group enterprises		171,049	97,910
Long-term debt	10	171,049	97,910
Trade payables		12,549	10,845
Payables to group enterprises		1,173	59,374
Other payables		460	655
Short-term debt		14,182	70,874
Debt		185,231	168,784
Liabilities and equity		38,170	40,280

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Notes to the Financial Statements

1. Going concern

As a development company, and like other similar companies, Oncology Venture Product Development ApS has shown negative cash flow over the years, why the Company is dependent on financing until reaching the point where a positive cash flow begins. Management is constantly monitoring the Company's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company. In the year 2020, the Company recorded a loss of DKK 18,557k and the Company's liabilities exceeds the Company's current assets by DKK 166,552k. The Company is financed by a loan from the Parent Company, Allarity Therapeutics A/S.

On 31 March 2021 the Company received a letter of financial support from the Parent Company Allarity Therapeutics A/S. In the letter, the Allarity Therapeutics A/S stated that they will:

- 1) Support the Company financially
- 2) The loan to the Company will not be recalled, unless the liquidity position of the Company is adequate to justify such repayment
- 3) The ultimate Parent Company and group enterprises will subordinate their receivables in favour of other creditors of the Company.

The letter is effective until 31 May 2022.

In March 2021, the Parent Company announced plans regarding a fully guaranteed rights issue of approximately gross SEK 100 million. In May 2021, the Board of Directors of the Parent Company resolved to carry out the share issue with preferential rights for the Company's existing shareholders. The Company will receive SEK 102.8 million upon full subscription of the offer units before transaction costs. The subscription period ended on 8 June 2021.

As disclosed in the Annual Report 2020 for the Parent Company Allarity Therapeutics A/S, Management has assessed that the financing is sufficient to cover the capital needs for the Group. No matters have occurred that change this assessment.

On this basis, 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."

Notes to the Financial Statements

2. Uncertainty relating to recognition and measurement

Intangible assets

In connection with the preparation of the financial statements for the Parent Company (Allarity Therapeutics A/S), management has performed a review of indicators of impairment concerning the Company's intangible assets and has performed an impairment test for the respective assets, as applicable.

Management has chosen a value-in-use approach and applied a discounted cash flow model (risk-adjusted NPV, rNPV) to estimate the recoverable amounts for the Company's intangible assets. The Company has several on-going programs, of which the two main capitalized programs are E7449 Ovarian (2x-121) and 2BBB-101 Breast (2x-111).

The model takes into account several factors, of which the most dominant are as follows:

- 1) Probability of success with the program (final approval for marketing)
- 2) The expected price and contribution margin for the product if approved for marketing, taking into consideration the percentage of the product, owned by the Company
- 3) The net debt the Company has incurred to conduct its research and development.

In 2019, 2x-111 were considered impaired, and Management found no reason to change this assessment. Consequently, Management has only done an impairment test in relation to 2x-121. The NPV impairment test has not shown indications that the development projects (2x-121) are subject to impairment, and that the discounted risk adjusted cash flows exceeds the carrying amount as at 31 December 2020.

Considering the nature of the impairment test, the accounting estimate include significant key assumptions that are encumbered with uncertainty. Consequently, the valuation of the Company's intangible assets is subject to significant valuation uncertainties.

Investments in subsidiaries

The Company owns shares in two subsidiaries. One of the subsidiaries has been impaired to a value amounting to DKK 0, due to a material doubt when assessing the value of the subsidiary.

The subsidiary OV-SPV2 ApS has not been impaired. The subsidiary presented an equity of DKK 22k in the 2020 Annual Report. It is recognized with a value amounting to DKK 8,653k, measured at cost price, which indicates that the subsidiary might be impaired.

In connection with the preparation of the Consolidated Financial Statements for the Ultimate Parent Company (Allarity Therapeutics A/S), an impairment assessment was made regarding the development projects recognized in OV-SPV2 ApS. The assessment was prepared using the same method as stated above. This assessment showed that the fair value of the development projects by far exceeded the book value. As a result of the assessment of the development projects in the subsidiary, Management has concluded that the subsidiary is not impaired.

Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
3. Staff Expenses		
Wages and salaries	2,901	4,323
Pensions	0	46
Other social security expenses	28	42
	<u>2,929</u>	<u>4,411</u>
Average number of employees	<u>3</u>	<u>6</u>
	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
4. Financial income		
Interest received from group enterprises	107	121
Exchange gains	6,845	4,117
	<u>6,952</u>	<u>4,238</u>
	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
5. Financial expenses		
Interest paid to group enterprises	1,026	981
Other financial expenses	152	155
Exchange loss	9,771	2,921
	<u>10,949</u>	<u>4,057</u>
	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
6. Income tax expense		
Current tax for the year	-2,350	-3,170
Adjustment of tax concerning previous years	0	-1,807
	<u>-2,350</u>	<u>-4,977</u>

Notes to the Financial Statements

7. Intangible fixed assets

	Acquired patents	Develop- ment projects in progress
	TDKK	TDKK
Cost at 1 January	2,385	21,786
Additions for the year	0	1,590
Cost at 31 December	<u>2,385</u>	<u>23,376</u>
Impairment losses and amortisation at 1 January	1,703	12,786
Amortisation for the year	257	461
Impairment losses and amortisation at 31 December	<u>1,960</u>	<u>13,247</u>
Carrying amount at 31 December	<u>425</u>	<u>10,129</u>

8. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	527	65
Cost at 31 December	<u>527</u>	<u>65</u>
Impairment losses and depreciation at 1 January	354	65
Depreciation for the year	105	0
Impairment losses and depreciation at 31 December	<u>459</u>	<u>65</u>
Carrying amount at 31 December	<u>68</u>	<u>0</u>

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
9. Investments in subsidiaries		
Cost at 1 January	8,653	3,345
Additions for the year	0	5,308
Cost at 31 December	8,653	8,653
Carrying amount at 31 December	8,653	8,653

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership and Votes	Equity	Net profit/loss for the year
OV-SPV2 ApS	Denmark		40%	22	-1,645
Oncology Venture US Inc.	USA		84%	-5,226	-2,306
				-5,204	-3,951

The Parent Company, Allarity Therapeutics A/S, holds an ownership of 60% in OV-SPV2 ApS, why the Company is classified as a subsidiary.

10. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020	2019
	TDKK	TDKK
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	171,049	97,910
Long-term part	171,049	97,910
Within 1 year	0	0
Other short-term debt to group enterprises	1,173	59,374
Short-term part	1,173	59,374
	172,222	157,284

Notes to the Financial Statements

2020	2019
TDKK	TDKK

11. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	0	257
	<u>0</u>	<u>257</u>

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Allarity Therapeutics A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

12. Related parties and disclosure of consolidated financial statements

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Allarity Therapeutics A/S	Denmark

Notes to the Financial Statements

13. Accounting policies

The Annual Report of Oncology Venture Product Development ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in tDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and as well as office expenses, etc.

Gross loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

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. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Allarity Therapeutics A/S. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects, patents and licences

Cost of development projects comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use, including cost for licences, cost of drugs and other expenses directly or indirectly attributable to the Company's development activities.

Costs incurred in relation to individual development projects are capitalized only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) Management has the intention and ability to complete the intangible asset and use or sell it.

Since our development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied. Management assesses on a continuous basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 6 year. Software licences are amortised over the period of the agreement, which is 6 year.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Equity investments are classified as investments in subsidiaries if the Company exercised the main control over the subsidiary, whether the control is exercised through ownership or other direct and/or indirect structures.

Notes to the Financial Statements

Other fixed asset investments

Other fixed asset investments consist of depositories. Depositories are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value. Depositories are classified as a fixed asset when it is not considered probable that the deposit will be paid in full during the following 12 months after the balance sheet date.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.