

Allarity Therapeutics Denmark ApS

Venlighedsvej 1, DK-2970 Hørsholm
CVR no. 38 44 59 28

Annual report for 2021

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 25.07.22

Lars Lüthjohan
Dirigent

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The company

Allarity Therapeutics Denmark ApS
Venlighedsvej 1
DK-2970 Hørsholm
Registered office: Rudersdal
CVR no.: 38 44 59 28
Financial year: 01.01 - 31.12

Executive Board

James G. Cullem

Auditors

Pricewaterhousecoopers Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board on the annual report

I have on this day presented the annual report for the financial year 01.01.21 - 31.12.21 for Allarity Therapeutics Denmark ApS.

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

In my 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.

I 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 25, 2022

Executive Board

James G. Cullem

The general meeting has decided not to have the financial statements for the coming financial year audited.

Chairman of the meeting

To the capital owner of Allarity Therapeutics Denmark ApS

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 Denmark ApS 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.

Material uncertainty regarding going concern

We draw attention to Note 1 in the Financial Statements, which describes the Company's current liquidity situation. Management is working together with the parent company Allarity Therapeutics Inc. seeking to ensure liquidity for the Company for the remaining period of 2022. This indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern.

Our opinion has not been modified in respect of this matter.

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 25, 2022

Pricewaterhousecoopers
Statsautoriseret
Revisionspartnerselskab

CVR no. 33771231

Torben Jensen
State Authorized Public Accountant
MNE-no. mne18651

Thomas Lauritsen
State Authorized Public Accountant
MNE-no. mne34342

Primary activities

The company are part of the Allarity Group's agreements with Novartis, but has limited activities.

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 0 against DKK'000 -1,645 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK'000 23.

Significant uncertainty as regards going concern

The Company has received a letter of support from Allarity Therapeutics Inc. We refer to note 1 for further information.

The current liquidity of the Allarity Group is expected to last until November 2022, but Allarity management is currently working to reduce costs in 2022 and deferred payments into 2023.

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

Allarity Management 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 Management expects that a solution is reached and the necessary funds will be available during 2022/2023.

The Company's financial statements as of and for the year ended 31 December 2021 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.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note	2021 DKK '000	2020 DKK '000
Gross loss	-1	-2,169
Financial income	0	39
² Financial expenses	-6	-108
Loss before tax	-7	-2,238
Tax on loss for the year	7	593
Profit/loss for the year	0	-1,645
Proposed appropriation account		
Retained earnings	0	-1,645
Total	0	-1,645

Balance sheet**ASSETS**

	31.12.21 DKK '000	31.12.20 DKK '000
Development projects in progress	0	9,516
Total intangible assets	0	9,516
Total non-current assets	0	9,516
Receivables from group enterprises	6,087	2,675
Income tax receivable	0	242
Other receivables	27	76
Total receivables	6,114	2,993
Cash	821	124
Total current assets	6,935	3,117
Total assets	6,935	12,633

EQUITY AND LIABILITIES		31.12.21	31.12.20
Note		DKK '000	DKK '000
Share capital		100	100
Share premium		2,975	2,975
Retained earnings		-3,052	-3,053
Total equity		23	22
Provisions for deferred tax		59	462
Total provisions		59	462
Other payables		6,423	0
Total long-term payables		6,423	0
Trade payables		33	34
Payables to group enterprises		0	12,115
Income taxes		397	0
Total short-term payables		430	12,149
Total payables		6,853	12,149
Total equity and liabilities		6,935	12,633

³ Contingent liabilities

⁴ Related parties

1. Significant uncertainty as regards going concern

As a development company and like other similar companies, Allarity Danmark ApS, has shown negative cashflow over the years, why the Company is dependent on financing until reaching the point where a positive cashflow 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 2021, the Company recorded a loss of DKK 7k and the Company's liabilities corresponds to the current assets. The current assets consists of receivables from group companies. The Company is dependent on financial support from the Parent Company to continue operations. The Company has received a letter of support from the parent company Allarity Therapeutics A/S. The letter is effective until 1 January 2023.

The current liquidity of the Allarity Group is expected to last until November 2022, but Allarity management is currently working to reduce costs in 2022 and deferred payments into 2023.

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

Allarity Management 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 Management expects that a solution is reached and the necessary funds will be available during 2022/2023.

The Company's financial statements as of and for the year ended 31 December 2021 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 indicate 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.

	2021 DKK '000	2020 DKK '000
2. Financial expenses		
Interest, group enterprises	0	107
Other interest expenses	6	1
Total	6	108

3. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

4. Related parties

The company is included in the consolidated financial statements of the parent Allarity Therapeutics Inc, USA.

5. 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.

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.

5. Accounting policies - continued -**INCOME STATEMENT****Gross loss**

Gross loss comprises raw materials and consumables and other external expenses.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

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.

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.

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.

5. 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.

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.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

5. Accounting policies - continued -

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

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.

Cash

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

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.

5. Accounting policies - continued -

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

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

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