

Embark Biotech ApS

c/o COBIS Ole Maaløes Vej 3, 2200 Copenhagen

CVR no. 39 11 93 74

Annual report 2022

Approved at the Company's annual general meeting on 13 June 2023

Chair of the meeting:

DocuSigned by:

99B86135C53C410.....
Casper Tind Hansen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Embark Biotech ApS for the financial year 1 January - 31 December 2022.

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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

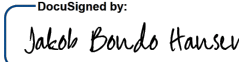
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 13 June 2023
Executive Board:

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Casper Tind Hansen

DocuSigned by:

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Jakob Bondo Hansen

Board of Directors:

DocuSigned by:

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Klaus Christian Schollmeier
Chairman

DocuSigned by:

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Casper Tind Hansen

Independent auditor's report

To the shareholders of Embark Biotech ApS

Opinion

We have audited the financial statements of Embark Biotech ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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.

Independent auditor's report

- ▶ 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 note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 13 June 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Rasmus Bloch Jespersen
State Authorised Public Accountant
mne35503

Management's review

Company details

| | |
|----------------------------|--|
| Name | Embark Biotech ApS |
| Address, Postal code, City | c/o COBIS Ole Maaløes Vej 3, 2200 Copenhagen |
| CVR no. | 39 11 93 74 |
| Established | 28 November 2017 |
| Registered office | Copenhagen |
| Financial year | 1 January - 31 December |
| Board of Directors | Klaus Christian Schollmeier, Chairman Casper Tind Hansen |
| Executive Board | Casper Tind Hansen Jakob Bondo Hansen |
| Auditors | EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark |

Management's review

Business review

Embark Biotech ApS was founded in 2017 and is a spin-out from the University of Copenhagen. The Company is a biotech start-up developing strategies for treating metabolic diseases and eating disorders.

The technology platform is based on the pioneering work of Associate Professor Zachary Gerhart-Hines, Ph.D. and Jakob Bondo Hansen, Ph.D. within the field of adipose tissue biology and modulation of the axis between fat tissue and the brain. Our overall aim is to position Embark Biotech as the world-leading Company in adipose tissue biology, metabolism, and eating disorders.

In Q3 2021 Embark Biotech became part of the BioInnovation Institute (BII) Creation House program and in connection with this received a convertible loan to advance the lead program further in development. In whole of 2022 Embark Biotech has been part of the Creation House program and has developed and matured the lead program even further.

Unusual matters having affected the financial statements

Going concern

Embark Biotech is an early stage biotech Company and its research and development activities have historically been financed via license and collaboration agreements, loans, and capital injections or a combination of such. At 31 December 2022, the Company is financed via convertible loan. Until such time where the Company becomes able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's long term research and development activities. Management assess that the Company's current net assets is sufficient to meet the Company's operational liquidity requirements at least through 31 December 2023. On this basis, the financial statements for 2022 are prepared on a going concern assumption.

Financial review

The income statement for 2022 shows a loss of DKK 8,830 thousand against a loss of DKK 6,196 thousand last year, and the balance sheet at 31 December 2022 shows a negative equity of DKK 5,889 thousand.

At 31 December 2022, the Company is financed via a convertible loan of DKK 10,000 thousand, divided in two tranches. The first tranche of DKK 6.050 thousand was drawn in September 2021. The second tranche of DKK 3.950 thousand was drawn in September 2022. The convertible loan, including accrued interest, matures on 19 August 2024. Refer to note 9 in the financial statements.

Loss of subscribed share capital: The Company has lost more than 50% of its subscribed share capital. On the ordinary general meeting of shareholders in 2023, the Board of Directors will give an account of the Company's financial position and propose appropriate measures to be taken.

Treasury shares: In 2021, the Company acquired 1,031 treasury shares of nominal DKK 1 each, equivalent to 2 % of the Company's share capital. The purchase price was DKK 350,000. The acquisition of treasury shares was based on a resolution passed by the general meeting of shareholders with the purpose of accommodating a former investor's wish to divest. In March 2023, the 1,031 treasury shares was sold at a sales price of DKK 350,000.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

| Note | DKK | <u>2022</u> | <u>2021</u> |
|------|---|-------------------|-------------------|
| | Gross profit | 379,438 | 0 |
| | Administrative expenses | -507,938 | -331,547 |
| | Operating profit/loss | -128,500 | -331,547 |
| 10.3 | Research and development costs | -7,674,412 | -7,052,523 |
| | Profit/loss before net financials | -7,802,912 | -7,384,070 |
| | Financial income | 0 | 1,180 |
| 4 | Financial expenses | -2,180,230 | -299,029 |
| | Profit/loss before tax | -9,983,142 | -7,681,919 |
| 5 | Tax for the year | 1,152,928 | 1,485,608 |
| | Profit/loss for the year | <u>-8,830,214</u> | <u>-6,196,311</u> |
| | Recommended appropriation of profit/loss | | |
| | Retained earnings/accumulated loss | <u>-8,830,214</u> | <u>-6,196,311</u> |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK | 2022 | 2021 |
|------|--|------------|------------|
| | ASSETS | | |
| | Fixed assets | | |
| 6 | Property, plant and equipment | | |
| | Fixtures and fittings, other plant and equipment | 0 | 1,521,173 |
| | | 0 | 1,521,173 |
| | Total fixed assets | 0 | 1,521,173 |
| | Non-fixed assets | | |
| | Receivables | | |
| | Corporation tax receivable | 1,152,928 | 1,341,544 |
| | Other receivables | 348,265 | 190,513 |
| | | 1,501,193 | 1,532,057 |
| | Cash | 6,276,002 | 7,639,998 |
| | Total non-fixed assets | 7,777,195 | 9,172,055 |
| | TOTAL ASSETS | 7,777,195 | 10,693,228 |
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 7 | Share capital | 51,515 | 51,515 |
| | Retained earnings | -5,940,809 | 2,889,405 |
| | Total equity | -5,889,294 | 2,940,920 |
| | Liabilities other than provisions | | |
| 9 | Non-current liabilities other than provisions | | |
| | Convertible debt facilities | 8,607,797 | 5,377,135 |
| | Other payables | 488,351 | 428,631 |
| | | 9,096,148 | 5,805,766 |
| | Current liabilities other than provisions | | |
| 9 | Conversion option | 3,761,523 | 908,785 |
| | Trade payables | 353,068 | 517,119 |
| | Payables to shareholders and management | 142,019 | 131,364 |
| | Other payables | 313,731 | 380,160 |
| | Deferred income | 0 | 9,114 |
| | | 4,570,341 | 1,946,542 |
| | Total liabilities other than provisions | 13,666,489 | 7,752,308 |
| | TOTAL EQUITY AND LIABILITIES | 7,777,195 | 10,693,228 |

- 1 Accounting policies
- 2 Financing and the going concern assumption
- 8 Treasury shares
- 11 Contractual obligations and contingencies, etc.

Financial statements 1 January - 31 December**Statement of changes in equity**

| DKK | <u>Share capital</u> | <u>Retained earnings</u> | <u>Total</u> |
|--|----------------------|--------------------------|-------------------|
| Equity at 1 January 2021 | 51,515 | 9,435,716 | 9,487,231 |
| Transfer through appropriation of loss | 0 | -6,196,311 | -6,196,311 |
| Purchase of treasury shares | 0 | -350,000 | -350,000 |
| Equity at 1 January 2022 | 51,515 | 2,889,405 | 2,940,920 |
| Transfer through appropriation of loss | 0 | -8,830,214 | -8,830,214 |
| Equity at 31 December 2022 | 51,515 | -5,940,809 | -5,889,294 |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Embark Biotech ApS for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Public grants

Public grants to cover expenses are recognised in the income statement as other operating income when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue consists of revenue from collaboration agreements, comprising milestones, technology access fees, research funding fees and milestone payments. Milestones are recognised when non-refundable technology access fees and milestone payments attributable to previous research and/or development activities are recognised as revenues at the time when it is certain that the fee is earned. Research funding income is recognised as revenue as the research activities are being performed. Accordingly, revenue corresponds to the market value of the research activities rendered during the year.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Research costs

The item includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation and impairment

The item comprises depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|--|---------|
| Fixtures and fittings, other plant and equipment | 5 years |
|--|---------|

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from company participants, realised and unrealised capital gains and losses relating to investments, exchange gains and losses, amortisation of financial assets and liabilities, and fair value adjustments of conversion option.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in group entities and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises cash balances and bank deposits.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Treasury shares

Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to materialise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Convertible loans

The convertible debt are initially separated into a debt component and a conversion option. The debt component is measured at amortized cost and the conversion option is measured at fair value through profit or loss.

On initial recognition, The difference between the fair value of the liability component and the total proceeds is allocated to the conversion option. The conversion option is classified as a derivative liability, as it is not convertible into a fixed number of shares for a fixed amount of cash. Subsequent to initial recognition, the conversion option is accounted for as a derivative and thus, it is measured at fair value through profit or loss. Any gains or losses on the conversion option is recognized as part of financial items. The transaction costs are allocated to each component of the loan.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be stated according to the above levels, the asset or liability is measured at cost.

2 Financing and the going concern assumption

Embark Biotech is an early stage biotech Company and its research and development activities have historically been financed via license and collaboration agreements, loans, and capital injections or a combination of such. At 31 December 2022, the Company is financed via convertible loan. Until such time where the Company becomes able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's long term research and development activities. Management assess that the Company's current net assets is sufficient to meet the Company's operational liquidity requirements at least through 31 December 2023. On this basis, the financial statements for 2022 are prepared on a going concern assumption.

| DKK | 2022 | 2021 |
|---|-----------|---------|
| 3 Depreciation and impairment of property, plant and equipment | | |
| Depreciation of property, plant and equipment | 690,236 | 690,236 |
| Impairment of property, plant and equipment | 830,937 | 0 |
| | 1,521,173 | 690,236 |

Depreciation and impairment of property, plant and equipment is recognised in the income statement under the following items:

| | | |
|----------------|-----------|---------|
| Research costs | 1,521,173 | 690,236 |
| | 1,521,173 | 690,236 |

Financial statements 1 January - 31 December**Notes to the financial statements**

| DKK | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| 4 Financial expenses | | |
| Interest on convertible loan | 1,269,414 | 191,115 |
| Fair value adjustment of embedded derivative | 863,986 | 42,805 |
| Other financial expenses | 46,830 | 65,109 |
| | <u>2,180,230</u> | <u>299,029</u> |
| 5 Tax for the year | | |
| Estimated tax charge for the year | -1,152,928 | -1,341,544 |
| Deferred tax adjustments in the year | 0 | -144,064 |
| | <u>-1,152,928</u> | <u>-1,485,608</u> |

Estimated tax benefit for the year 2022 comprises tax credit for research and development expenditures.

6 Property, plant and equipment

| DKK | <u>Fixtures and fittings, other plant and equipment</u> |
|--|---|
| Cost at 1 January 2022 | 3,451,180 |
| Cost at 31 December 2022 | 3,451,180 |
| Impairment losses and depreciation at 1 January 2022 | 1,930,007 |
| Impairment losses | 830,937 |
| Depreciation | 690,236 |
| Impairment losses and depreciation at 31 December 2022 | 3,451,180 |
| Carrying amount at 31 December 2022 | <u>0</u> |
| Depreciated over | <u>5 years</u> |

| DKK | <u>2022</u> | <u>2021</u> |
|--|---------------|---------------|
| 7 Share capital | | |
| Analysis of the share capital: | | |
| 51,515 A shares of DKK 1.00 nominal value each | 51,515 | 51,515 |
| | <u>51,515</u> | <u>51,515</u> |

The Company has lost more than 50% of its subscribed share capital. On the ordinary general meeting of shareholders in 2023, the Board of Directors will give an account of the Company's financial position and propose appropriate measures to be taken.

Financial statements 1 January - 31 December**Notes to the financial statements****8 Treasury shares**

| | <u>Number</u> | <u>Nominal value</u> DKK | <u>Share of capital</u> |
|-----------------------------|---------------|-----------------------------|-------------------------|
| Balance at 1 January 2022 | 1,031 | 1 | 2.00% |
| Balance at 31 December 2022 | 1,031 | 1 | 2.00% |

In 2021, the Company acquired 1,031 treasury shares of nominal DKK 1 each, equivalent to 2 % of the Company's share capital. The purchase price was DKK 350,000. The acquisition of treasury shares was based on a resolution passed by the general meeting of shareholders with the purpose of accommodating a former investor's wish to divest. In March 2023, the 1,031 treasury shares was sold at a sales price of DKK 350,000.

9 Non-current liabilities other than provisions

| DKK | <u>Total debt at</u> 31/12 2022 | <u>Short-term</u> <u>portion</u> | <u>Long-term</u> <u>portion</u> | <u>Outstanding debt</u> <u>after 5 years</u> |
|-----------------------------|------------------------------------|-------------------------------------|------------------------------------|---|
| Convertible debt facilities | 8,607,797 | 0 | 8,607,797 | 0 |
| Conversion option | 3,761,523 | 3,761,523 | 0 | 0 |
| Other payables | 488,351 | 0 | 488,351 | 0 |
| | <u>12,857,671</u> | <u>3,761,523</u> | <u>9,096,148</u> | <u>0</u> |

The Company has entered a convertible loan in August 2021. The principal amount of the convertible loan is DKK 10,000 thousand, which is divided in two tranches. The first tranche of DKK 6.050 thousand was drawn in September 2021. The second tranche of DKK 3.950 thousand was drawn in September 2022. The convertible loan, including accrued interest, matures on 19 August 2024, and carries a 5% interest rate.

The convertible loan includes several conversion and repayment features, which allows the lender to convert the loan into shares in the Company with a conversion discount of 0-30% to the share price of the Company or repayment of the loan amount multiplied by two, depending on which conversion or repayment feature is being utilized. The conversion and repayment features include: conversion upon a qualified financing round, repayment upon a qualified financing round, conversion or upon an 'exit event', repayment or upon an 'exit event', and conversion or repayment upon maturity of the loan.

At initially recognition of each of the two tranches the convertible loan has been separated into a liability component and a conversion/repayment option component (an embedded derivative), by allocating the difference between the fair value of the liability component and the proceeds to the conversion option. After initial recognition, the liability component is measured at amortized cost and the conversion option is measured at fair value through profit or loss.

The amortization of the liability component is calculated by use of an estimated market interest rate of 15.9% and 22.6% for the first and second tranche, respectively. The fair value of the conversion and repayment options has been calculated as the net present value by weighing in managements assumption about the weighted probabilities associated with timing and triggering event for conversion or repayment (level 3 of the fair value hierarchy). The following main assumptions has been applied: conversion upon a qualified financing round (40%), repayment upon a qualified financing round (18.8%), conversion or upon an 'exit event' (26.7%), repayment or upon an 'exit event' (12.5%), and conversion or repayment upon maturity of the loan (2%).

Financial statements 1 January - 31 December**Notes to the financial statements**

| DKK | <u>2022</u> | <u>2021</u> |
|-----------------------------|------------------|------------------|
| 10 Staff costs | | |
| Wages/salaries | 3,294,159 | 2,901,602 |
| Pensions | 371,260 | 366,698 |
| Other social security costs | 30,824 | 27,150 |
| Other staff costs | 0 | 8,466 |
| | <u>3,696,243</u> | <u>3,303,916</u> |

Staff costs are recognised as follows in the financial statements:

| | | |
|--------------------------------|------------------|------------------|
| Research and development costs | <u>3,696,243</u> | <u>3,303,916</u> |
| | <u>3,696,243</u> | <u>3,303,916</u> |

| | | |
|---------------------------------------|----------|----------|
| Average number of full-time employees | <u>4</u> | <u>3</u> |
|---------------------------------------|----------|----------|

11 Contingent liabilities and significant events**Other financial obligations**

Other rent liabilities:

| DKK | <u>2022</u> | <u>2021</u> |
|------------------|----------------|----------------|
| Rent liabilities | <u>140,000</u> | <u>445,000</u> |