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Sundew ApS

Annual report for 2022

(4th Financial year)

c/o Bioinnovation Institute
Ole Maaløes Vej 3
2200 København N
CVR no. 39 82 17 02

Adopted at the annual general meeting on 14
July 2023

Neil Goldsmith
chairman



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Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of Sundew 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 company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

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

The Board recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 14 July 2023

Executive Board

Giovanni Salerno
CEO

Jørgen Hansen
director

Neil Goldsmith
director

Board of Directors

Neil Goldsmith
chairman

Nicky Deasy

Jørgen Hansen

Andrew David Gardiner

John Bosco Carrigan



Independent auditor's report

To the management of Sundew ApS

Qualified Opinion

We have audited the financial statements of Sundew ApS for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, except for the potential effects of the matter(s) described in the “Basis for Qualified Opinion” paragraph, the financial statements give a true and fair view of the company's financial position 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 Qualified Opinion

As part of Sundew's long-term strategy, the subsidiary MicroSynbiotix (MSX) was acquired back in 2021 with the aim of achieving synergy between the two companies. In connection with the audit, it has not been possible to obtain sufficient documentation for the valuation of MSX which in the balance sheet are recognized at DKK 21,346,059. The management has stated that there have been no circumstances in the company that change the valuation of MSX and they still consider the company to be correctly recognized. Consequently, we were unable to determine whether any adjustments to the valuation are necessary.

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

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 the 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.



Independent auditor's report

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 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 Act. We did not identify any material misstatement of management's review.

Copenhagen, 14 July 2023

Ri Statsautoriseret Revisionsaktieselskab
CVR no. 53 37 19 14

Joachim Munch
State authorized public accountant
MNE no. mne42244



Company details

The company

Sundew ApS
c/o Bioinnovation Institute
Ole Maaløes Vej 3
2200 København N

Website: www.sundew.bio

CVR no.: 39 82 17 02

Reporting period: 1 January - 31 December 2022

Incorporated: 1 September 2018

Domicile: Copenhagen

Board of Directors

Neil Goldsmith, chairman
Nicky Deasy
Jørgen Hansen
Andrew David Gardiner
John Bosco Carrigan

Executive Board

Giovanni Salerno
Jørgen Hansen
Neil Goldsmith

Auditors

Ri Statsautoriseret Revisionsaktieselskab
Skagensgade 1
2630 Taastrup



Management's review

Business review

Sundew is developing biological solutions for water-borne pests, diseases and invasive species.

Financial review

The company's income statement for the year ended 31 December 2022 shows a loss of DKK 11,935,353, and the balance sheet at 31 December 2022 shows equity of DKK 6,557,156.

Management considers the Company's financial performance in the year satisfactory and in line with the strategic directions.

Investments

During 2022 the Company secured additional finance in the form of equity of DKK 503,143 from the global venture capital firm SOSV.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.



Accounting policies

The annual report of Sundew ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, 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 2022 is presented in DKK.

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

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.

Public grants

Grants to cover research and development costs are recognised in the income statement 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.

Grants for production assets and development projects are recognised in the balance sheet as deferred income and transferred to other operating income in the income statement in step with depreciation and amortisation of the assets to which the grants relate.



Accounting policies

Income statement

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including public grants, gains on the sale of intangible assets and property, plant and equipment.

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

Administrative costs

Administrative costs comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

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

Amortisation, depreciation and impairment losses

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

Research and development costs

Research costs comprises costs not satisfying the criteria for capitalisation. Research costs comprise salaries, patent costs, consultancy fees, clinical trial costs etc.

Development costs comprise costs relating to development projects that do not qualify for recognition in the balance sheet and amortisation of recognised development projects.

Financial income and expenses

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



Accounting policies

Tax on profit/loss for the year

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.

Tax of the year includes tax credit for costs incurred in connection with research and development activities under the Danish Tax Credit Regime.

Balance sheet

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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

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

	Useful life
Other fixtures and fittings, tools and equipment	2-5 years

Assets costing less than DKK 31,000 are expensed in the year of acquisition.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries

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

Impairment of fixed assets

The carrying amount of equipment is tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.



Accounting policies

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Receivables

Receivables are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Income tax and deferred tax

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.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

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

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.



Income statement 1 January 2022 - 31 December 2022

	Note	2022 DKK	2021 DKK
Research and development costs		-11,170,652	-7,603,408
Administrative costs		-2,000,732	-1,350,192
Operating profit/loss		-13,171,384	-8,953,600
Other operating income		678,635	1,539,690
Profit/loss before financial income and expenses		-12,492,749	-7,413,910
Financial costs	2	-1,780,056	-1,094,862
Profit/loss before tax		-14,272,805	-8,508,772
Tax on profit/loss for the year	3	2,337,452	1,618,379
Net profit/loss for the year		<u>-11,935,353</u>	<u>-6,890,393</u>
Proposed distribution of profit			
Retained earnings		-11,935,353	-6,890,393
		<u>-11,935,353</u>	<u>-6,890,393</u>



Balance sheet at 31 December 2022

	Note	2022 DKK	2021 DKK
Assets			
Other fixtures and fittings, tools and equipment	4	<u>1,725,603</u>	<u>1,428,408</u>
Tangible assets		<u>1,725,603</u>	<u>1,428,408</u>
Investments in subsidiaries		<u>21,346,059</u>	<u>21,346,059</u>
Fixed asset investments		<u>21,346,059</u>	<u>21,346,059</u>
Total non-current assets		<u>23,071,662</u>	<u>22,774,467</u>
Other receivables		1,122,855	1,909,240
Corporation tax		<u>2,339,986</u>	<u>1,618,379</u>
Receivables		<u>3,462,841</u>	<u>3,527,619</u>
Cash at bank and in hand		<u>6,232,956</u>	<u>16,660,939</u>
Total current assets		<u>9,695,797</u>	<u>20,188,558</u>
Total assets		<u>32,767,459</u>	<u>42,963,025</u>



Balance sheet at 31 December 2022

	Note	2022 DKK	2021 DKK
Equity and liabilities			
Share capital		121,125	120,455
Retained earnings		6,436,031	17,868,911
Equity		6,557,156	17,989,366
Convertible and profit-yielding instruments of debt		24,669,151	23,027,740
Payables to associates		211,626	117,765
Shareholders and management		96,021	183,850
Total non-current liabilities	5	24,976,798	23,329,355
Trade payables		971,332	811,281
Payables to controlling shareholder		22	22
Other payables		262,151	608,865
Deferred income		0	224,136
Total current liabilities		1,233,505	1,644,304
Total liabilities		26,210,303	24,973,659
Total equity and liabilities		32,767,459	42,963,025



Statement of changes in equity

	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2022	120,455	0	17,868,911	17,989,366
Share premium account	670	502,473	0	503,143
Transfers, reserves	0	-502,473	502,473	0
Net profit/loss for the year	0	0	-11,935,353	-11,935,353
Equity at 31 December 2022	<u>121,125</u>	<u>0</u>	<u>6,436,031</u>	<u>6,557,156</u>



Notes

	2022 DKK	2021 DKK
1 Staff		
Wages and Salaries	5,151,984	4,110,092
Other social security expenses	31,466	17,582
Other staff expenses	87,646	154,297
	<u>5,271,096</u>	<u>4,281,971</u>
Wages and Salaries, other social security expenses and other staff expenses are recognised in the following items:		
Research and development expenses	4,769,201	3,917,971
Administrative expenses	501,895	364,000
	<u>5,271,096</u>	<u>4,281,971</u>
Including remuneration to the executive board:		
Executive Board	1,152,000	954,000
	<u>1,152,000</u>	<u>954,000</u>
Average number of employees	<u>8</u>	<u>6</u>
2 Financial costs		
Interest paid to associates	4,150	3,982
Other financial costs	1,762,356	1,085,775
Exchange adjustments costs	13,550	5,105
	<u>1,780,056</u>	<u>1,094,862</u>



Notes

	2022 DKK	2021 DKK
3 Tax on profit/loss for the year		
Current tax for the year	-2,339,986	-1,618,379
Adjustment of tax concerning previous years	<u>2,534</u>	<u>0</u>
	<u>-2,337,452</u>	<u>-1,618,379</u>

4 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2022	1,749,525
Additions for the year	<u>688,856</u>
Cost at 31 December 2022	<u>2,438,381</u>
Impairment losses and depreciation at 1 January 2022	321,117
Depreciation for the year	<u>391,661</u>
Impairment losses and depreciation at 31 December 2022	<u>712,778</u>
Carrying amount at 31 December 2022	<u>1,725,603</u>

5 Long term debt

	<u>Debt at 1 January 2022</u>	<u>Debt at 31 December 2022</u>	<u>Instalment next year</u>	<u>Debt outstanding after 5 years</u>
Convertible and profit-yielding instruments of debt	23,027,740	24,669,151	0	0
Payables to associates	207,476	211,626	0	0
Shareholders and management	<u>183,850</u>	<u>96,021</u>	<u>0</u>	<u>0</u>
	<u>23,419,066</u>	<u>24,976,798</u>	<u>0</u>	<u>0</u>



Notes

	2022 DKK	2021 DKK
6 Rent and lease liabilities		
Operating lease liabilities.		
Total future lease payments:		
Operating lease liabilities, 3-month period of interminability	<u>195,000</u>	<u>78,000</u>
	<u>195,000</u>	<u>78,000</u>
7 Contingent liabilities		
Consultancy agreement, 3-month period of interminability	<u>103,000</u>	<u>103,000</u>
	<u>103,000</u>	<u>103,000</u>

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Andrew Gardiner

Board Member

Serial number: andyg@sundew.bio

IP: 81.131.xxx.xxx

2023-07-14 07:45:51 UTC



Jørgen Hansen

Board Member

Serial number: 99469fa2-85d6-4459-a67b-4a3eaf3001aa

IP: 212.112.xxx.xxx

2023-07-14 08:06:10 UTC



Jørgen Hansen

Director

Serial number: 99469fa2-85d6-4459-a67b-4a3eaf3001aa

IP: 212.112.xxx.xxx

2023-07-14 08:06:10 UTC



John Bosco Carrigan

Board Member

Serial number: john@theyieldlab.com

IP: 80.233.xxx.xxx

2023-07-14 08:08:01 UTC



Neil Goldsmith

Chairman

Serial number: 4e597c9b-a234-4ac4-ace8-65ff02b7729f

IP: 80.197.xxx.xxx

2023-07-14 09:12:34 UTC



Neil Goldsmith

Director

Serial number: 4e597c9b-a234-4ac4-ace8-65ff02b7729f

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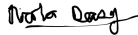
Nicky Deasy

Board Member

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2023-07-14 09:57:35 UTC



Giovanni Salerno

CEO

Serial number: 85ef65e1-a1e2-4203-add1-e9941146d66f

IP: 212.237.xxx.xxx

2023-07-14 13:24:28 UTC



Joachim Bardrum Munch

State Authorized Public Accountant

Serial number: d82210c4-abca-4f96-8743-b2620e231b9d

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