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Octarine Bio IVS

Annual report for the period
12 September 2018 to 31 December 2019

(1st Financial year)

Fruebjergvej 3
2100 København Ø
CVR no. 39 85 73 16

Adopted at the annual general meeting on 19
August 2020

Claudia Blomgren-Hansen
chairman



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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Octarine Bio IVS for the financial year 12 September 2018 - 31 December 2019.

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 2019 and of the results of the company's operations for the financial year 12 September 2018 - 31 December 2019.

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

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

Copenhagen, 19 August 2020

Executive board

Nethaji Janeshawari Gallage
CEO

Nicholas Stuart William Milne
director

Supervisory board

Stephan Christgau
chairman

Helga Claudia Blomgren-Hansen Christian Brix Tillegreen



Independent auditor's report

To the shareholder of Octarine Bio IVS

Opinion

We have audited the financial statements of Octarine Bio IVS for the financial year 12 September 2018 - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under 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 2019 and of the results of the company's operations for the financial year 12 September 2018 - 31 December 2019 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 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.

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.

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.



Independent auditor's report

As part of an audit conducted in accordance with ISAs 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.

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.



Independent auditor's report

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, 19 August 2020

Ri Statsautoriseret Revisionsaktieselskab
CVR no. 53 37 19 14

Joachim Munch
State Authorized Public Accountant
MNE no. mne42244



Company details

The company

Octarine Bio IVS
Fruebjergvej 3
2100 København Ø

E-mail: info@octarinebio.com
Website: www.octarinebio.com
CVR no.: 39 85 73 16
Reporting period: 12 September 2018 - 31 December 2019
Incorporated: 12. September 2018
Domicile: Copenhagen

Supervisory board

Stephan Christgau, chairman
Helga Claudia Blomgren-Hansen
Christian Brix Tillegreen

Executive board

Nethaji Janeshawari Gallage, CEO
Nicholas Stuart William Milne, director

Auditors

Ri Statsautoriseret Revisionsaktieselskab
Skagensgade 1
2630 Taastrup



Management's review

Key activities

The Company's purpose is to enable pharmaceutical industry to bring innovative psychedelics and cannabinoids therapeutics to patients. Octarine is combining yeast fermentation with enzymatic platform technologies to develop stable and cost-efficient supply of functionally improved cannabinoid and psilocybin derivatives.

Financial review

The company's income statement for the year ended 31 December 2019 shows a loss of DKK 428,955, and the balance sheet at 31 December 2019 shows negative equity of DKK 427,955.

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

Capital resources

The Company's budget for 2020 shows funding needs that exceed the Company's cash and net working capital position at 31 December 2019. The Company's ability to finance its operating activities in 2020 is ensured by already obtained convertible loans from business angles and Vækstfonden and an Innobooster grant (approx. total of DKK 3 mill. has been received in the first half of 2020). Additional DKK 2-6 mill are expected during a bridge seed round in the second half of 2020.

In the event that the Company is not able to secure additional funding, Management is able to reduce operational activities and maintain the Company as going concern until the end of 2020.

Based on this, it is Management's assessment that the Company's Annual Report may be presented under the going concern assumption.

Reference is made to note 1 for further details.

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 Octarine Bio IVS for 2018/19 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 annual report for 2018/19 is presented in DKK

The Company was founded on 12 September 2018, and the financial year is therefore extended it cover the period 12 September 2018 - 31 December 2019. As 2018/19 is the company's first reporting period, no comparatives have been presented.

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.

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 for research and development costs which are recognised directly in the income statement are recognised as other operating income in step with the costs to which the grants relate being incurred.

Income statement

Other operating expenses

Other operating income comprises items of a secondary nature relative to the company's activities, including public grants.

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



Accounting policies

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.

Research and development costs

Research costs comprises costs not satisfying the criteria for capitalisation. Research costs comprise salaries, patent costs, consultancy fee and 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.

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 Credit Regime.

Balance sheet

Receivables

Receivables are measured at amortised cost.

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

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, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.



Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

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

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

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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 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.



Income statement 12 September 2018 - 31 December 2019

	Note	2018/19 DKK
Research and development costs		-728,697
Administrative costs		<u>-92,731</u>
Operating profit/loss		-821,428
Other operating income		<u>270,000</u>
Profit/loss before financial income and expenses		-551,428
Financial income		4,419
Financial costs		<u>-2,553</u>
Profit/loss before tax		-549,562
Tax on profit/loss for the year	3	<u>120,607</u>
Net profit/loss for the year		<u>-428,955</u>
Proposed distribution of profit		
Retained earnings		<u>-428,955</u>
		<u>-428,955</u>



Balance sheet at 31 December 2019

	Note	2018/19 DKK
Assets		
Other receivables		24,894
Claim for payment of company capital		1,000
Corporation tax		<u>120,607</u>
Receivables		<u>146,501</u>
Cash at bank and in hand		<u>177,865</u>
Total current assets		<u>324,366</u>
Total assets		<u><u>324,366</u></u>



Balance sheet at 31 December 2019

	Note	2018/19 DKK
Equity and liabilities		
Share capital		1,000
Retained earnings		<u>-428,955</u>
Equity		<u>-427,955</u>
Other payables		<u>4,494</u>
Total non-current liabilities		<u>4,494</u>
Convertible instruments of debt		503,245
Trade payables		199,416
Payables to controlling shareholder		7,329
Other payables		<u>37,837</u>
Total current liabilities		<u>747,827</u>
Total liabilities		<u>752,321</u>
Total equity and liabilities		<u><u>324,366</u></u>
Uncertainty about the continued operation (going concern)	1	
Staff	2	



Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 12 September 2018	1,000	0	1,000
Net profit/loss for the year	0	-428,955	-428,955
Equity at 31 December 2019	<u>1,000</u>	<u>-428,955</u>	<u>-427,955</u>



Notes

1 Uncertainty about the continued operation (going concern)

The Company commenced its operating activities in 2018/19 and has incurred start-up costs and research and development costs which exceed the income of the Company. Consequently, equity at December 31, 2019 is lost. Further the Company's budget for 2020 shows funding needs that exceed the Company's cash and net working capital position at 31 December 2019.

The Company's budget for 2020 shows funding needs that exceed the Company's cash and net working capital position at 31 December 2019. The Company's ability to finance its operating activities in 2020 is ensured by already obtained convertible loans from business angles and Vækstfonden and an Innobooster grant (approx. total of DKK 3 mill. has been received in the first half of 2020). Additional DKK 2-6 mill are expected during a bridge seed round in the second half of 2020.

In the event that the Company is not able to secure additional funding, Management is able to reduce operational activities and maintain the Company as going concern until the end of 2020.

Based on this, it is Management's assessment that the Company's Annual Report may be presented under the going concern assumption

2 Staff

	2018/19
	DKK
Wages and Salaries	174,446
Other social security expenses	568
Other staff expenses	900
	<u>175,914</u>

Wages and Salaries, other social security expenses and other staff expenses are recognised in the following items:

Research and development	<u>175,914</u>
	<u><u>175,914</u></u>

Average number of employees	<u>1</u>
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Notes

	2018/19 DKK
3 Tax on profit/loss for the year	
Current tax for the year	-120,607
	<u>-120,607</u>

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Stephan Christgau

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Nethaji Janeshawari Gallage

Administrerende direktør

På vegne af: Octarine Bio IVS

Serienummer: PID:9208-2002-2-921972212850

IP: 80.167.xxx.xxx

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NEM ID 

Christian Brix Tillegreen

Bestyrelsesmedlem

På vegne af: Octarine Bio IVS

Serienummer: PID:9208-2002-2-203052099064

IP: 152.73.xxx.xxx

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Nicholas Stuart William Milne

Direktør

På vegne af: Octarine Bio IVS

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NEM ID 

Helga Claudia Blomgren-Hansen

Bestyrelsesmedlem

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Joachim Munch

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Dirigent

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