

Rangers Pharmaceutical A/S

Alsikevej 16, 8920 Randers NV

Company reg. no. 40 38 10 15

Annual report

26 March - 31 December 2019

The annual report was submitted and approved by the general meeting on the 14 September 2020.

Peter Møller Lassen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Rangers Pharmaceutical A/S for the financial year 26 March - 31 December 2019 of Rangers Pharmaceutical A/S.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 26 March – 31 December 2019.

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

Randers NV, 14 August 2020

Managing Director

Peter Møller Lassen

Board of directors

Clifford Starke

Peter Møller Lassen

Heinz Kvottrup Lorentzen

Selcuk Copkayaoglu

Independent auditor's report

To the shareholders of Rangers Pharmaceutical A/S

Opinion

We have audited the financial statements of Rangers Pharmaceutical A/S for the financial year 26 March - 31 December 2019, which comprise income statement, statement of financial position, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 26 March - 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such 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 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 including an 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.

Independent auditor's report

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 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

DK-8960 Randers SØ, 14 August 2020

Kvist & Jensen

Kvist & Jensen State Authorized Public Accountants
Company reg. no. 36 71 77 85

Jonas Bødker-Iversen

State Authorised Public Accountant
mnc35471

Company information

The company	Rangers Pharmaceutical A/S Alsikevej 16 8920 Randers NV
	Company reg. no. 40 38 10 15 Financial year: 26 March - 31 December
Board of directors	Clifford Starke Peter Møller Lassen Heinz Kvottrup Lorentzen Selcuk Copkayaoglu
Managing Director	Peter Møller Lassen
Auditors	Kvist & Jensen Statsautoriseret Revisionspartnerselskab
Bankers	Nordea
Parent company	Klokken Aarhus Inc.

Income statement

All amounts in DKK.

<u>Note</u>	26/3 2019 - 31/12 2019
Operating profit	0
Other financial income from group enterprises	1.545
Other financial income	3.930
Other financial costs	-637
Pre-tax net profit or loss	4.838
Tax on net profit or loss for the year	-1.065
Net profit or loss for the year	3.773
 Proposed appropriation of net profit:	
Transferred to other reserves	806.236
Allocated from retained earnings	-802.463
Total allocations and transfers	3.773

Statement of financial position

All amounts in DKK.

<u>Note</u>	<u>31/12 2019</u>
Assets	
Non-current assets	
3 Concessions, patents, licenses, trademarks, and similar rights acquired	1.990.984
4 Development projects in progress and prepayments for intangible assets	1.033.636
Total intangible assets	<u>3.024.620</u>
Other fixtures and fittings, tools and equipment	317.647
Total property, plant, and equipment	<u>317.647</u>
Total non-current assets	<u>3.342.267</u>
Current assets	
Receivables from group enterprises	168.260
Income tax receivables	297.282
Other receivables	58.582
Prepayments and accrued income	37.308
Total receivables	<u>561.432</u>
Total current assets	<u>561.432</u>
Total assets	<u>3.903.699</u>

Statement of financial position

All amounts in DKK.

<u>Note</u>	<u>31/12 2019</u>
Equity and liabilities	
Equity	
5 Contributed capital	400.002
Share premium	2.832.465
6 Reserve for development costs	806.236
7 Retained earnings	-802.463
Total equity	<u>3.236.240</u>
Provisions	
Provisions for deferred tax	298.347
Total provisions	<u>298.347</u>
Liabilities other than provisions	
Trade payables	355.603
Other payables	13.509
Total short term liabilities other than provisions	<u>369.112</u>
Total liabilities other than provisions	<u>369.112</u>
Total equity and liabilities	<u>3.903.699</u>

1 The significant activities of the enterprise

Notes

All amounts in DKK.

1. The significant activities of the enterprise

The principals activities are growing cannabis for medical use and other related activities.

	26/3 2019
	<u>- 31/12 2019</u>
2. Staff costs	
Average number of employees	<u>1</u>
	<u>31/12 2019</u>
3. Concessions, patents, licenses, trademarks, and similar rights acquired	
Additions during the year	<u>1.990.984</u>
Cost 31 December 2019	<u>1.990.984</u>
Carrying amount, 31 December 2019	<u>1.990.984</u>
4. Development projects in progress and prepayments for intangible assets	
Additions during the year	<u>1.033.636</u>
Cost 31 December 2019	<u>1.033.636</u>
Carrying amount, 31 December 2019	<u>1.033.636</u>
Development projects in progress	
Development projects in progress comprise the development of various cannabis strains for medical purposes. Costs are in all material respects comprised of internal costs in the form of wages and salaries and indirect production costs.	
The growing of cannabis strains are expected to generate considerable competitive advantages and lead to the enterprise experiencing a significant increase in activity levels and profits for 2020 and after.	
5. Contributed capital	
Contributed capital 26 March 2019	400.000
Cash capital increase	<u>2</u>
	<u>400.002</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>
6. Reserve for development costs	
Reserve for development costs 26 March 2019	0
Retained earnings	<u>806.236</u>
	<u>806.236</u>
7. Retained earnings	
Retained earnings 26 March 2019	0
Retained earnings for the year	<u>-802.463</u>
	<u>-802.463</u>

Accounting policies

The annual report for Rangers Pharmaceutical A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The annual report is presented in DKK. The annual report comprises the first financial year and hence comparative figures are not available.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Income statement

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Interest and other costs concerning loans to finance the production of intangible assets and property, plant, and equipment, and relating to production periods are not recognised in the cost of non-current assets.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Accounting policies

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

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

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Accounting policies

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from sub-suppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium. The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.