

Freya Biosciences ApS

Fruebjergvej 3, 2100 Copenhagen

CVR no. 41 25 75 47

Annual report

for the year 1 January - 31 December 2021

Approved at the Company's annual general meeting on 30 June 2022

Chair of the meeting:

DocuSigned by:

Peter Bisgaard

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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 Freya Biosciences ApS for the financial year 1 January - 31 December 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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, 30 June 2022
Executive Board:

DocuSigned by:

8EBBC5988C76493
Colleen Acosta
CEO

Board of Directors:

DocuSigned by:

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Peter Finsel Bisgaard
Chair

DocuSigned by:

941BD583DE9248E
Nicholas Haft

DocuSigned by:

B0EBE738B514442
Mark Smith

DocuSigned by:

8EBBC5988C76493
Colleen Acosta

DocuSigned by:

F6952847F89248C
Henriette Elsebeth Richter

Independent auditor's report

To the shareholders of Freya Biosciences ApS

Opinion

We have audited the financial statements of Freya Biosciences ApS for the financial year 1 January - 31 December 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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.

Material uncertainty related to going concern

We draw attention to the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We refer to note 2 to the financial statements, which states that it is uncertain whether funding for the financing of the Company's operations and the necessary investments in the coming years will be obtained. However, as Management believes that such funding will be obtained, the financial statements have been prepared on a going concern basis. We have not modified our opinion in respect of this matter.

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:

Independent auditor's report

- ▶ 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 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, 30 June 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant
mne33234

Management's review

Company details

| | |
|----------------------------|---|
| Name | Freya Biosciences ApS |
| Address, Postal code, City | Fruebjergvej 3, 2100 Copenhagen |
| CVR no. | 41 25 75 47 |
| Established | 23 March 2020 |
| Registered office | Copenhagen |
| Board of Directors | Peter Finsel Bisgaard, Chair Nicholas Haft Mark Smith Colleen Acosta Henriette Elsebeth Richter |
| Executive Board | Colleen Acosta, CEO |
| Auditors | EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark |

Management commentary

Unusual matters having affected the financial statements

Going concern

The Company's ability to continue as a going concern is depending on its ability to raise additional funds. Refer to note 2 as basis for the assessment that management has prepared the financial statements based on the assumptions of being a going concern.

Financial review

The income statement for 2021 shows a loss of DKK 20,406,277 against a loss of DKK 1,894,743 last year, and the balance sheet at 31 December 2021 shows equity of DKK 28,411,334.

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 | 2021 12 months | 2020 9 months |
|------|--|-------------------|------------------|
| | Other external expenses | -5,460,126 | -576,803 |
| | Gross profit | -5,460,126 | -576,803 |
| 3 | Staff costs | -5,889,510 | -872,582 |
| | Amortisation/depreciation and impairment of property, plant and equipment | -123,336 | -15,178 |
| | Research costs | -11,285,563 | -653,213 |
| | Profit/loss before net financials | -22,758,535 | -2,117,776 |
| 4 | Financial income | 8,845 | 0 |
| 5 | Financial expenses | -139,410 | -34,902 |
| | Profit/loss before tax | -22,889,100 | -2,152,678 |
| | Tax for the year | 2,482,823 | 257,935 |
| | Profit/loss for the year | -20,406,277 | -1,894,743 |
| | Recommended appropriation of profit/loss | -20,406,277 | -1,894,743 |
| | Retained earnings/accumulated loss | -20,406,277 | -1,894,743 |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK | 2021 | 2020 |
|------|--|-------------------|-------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 6 | Property, plant and equipment | | |
| | Fixtures and fittings, other plant and equipment | 376,874 | 437,475 |
| | Leasehold improvements | 8,087 | 0 |
| | | <u>384,961</u> | <u>437,475</u> |
| | Investments | | |
| | Deposits | 134,680 | 105,283 |
| | | <u>134,680</u> | <u>105,283</u> |
| | Total fixed assets | <u>519,641</u> | <u>542,758</u> |
| | Non-fixed assets | | |
| | Receivables | | |
| | Tax credit receivable | 2,740,758 | 257,935 |
| 7 | Other receivables | 2,792,470 | 904,613 |
| | Prepayments | 1,849,025 | 2,575,649 |
| | | <u>7,382,253</u> | <u>3,738,197</u> |
| | Cash | <u>24,464,896</u> | <u>12,912,957</u> |
| | Total non-fixed assets | <u>31,847,149</u> | <u>16,651,154</u> |
| | TOTAL ASSETS | <u>32,366,790</u> | <u>17,193,912</u> |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK | 2021 | 2020 |
|------|---|--------------------------|--------------------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 8 | Share capital | 350,669 | 252,172 |
| | Share premium account | 50,361,685 | 18,403,083 |
| | Retained earnings | -22,301,020 | -1,894,743 |
| | Total equity | <u>28,411,334</u> | <u>16,760,512</u> |
| | Liabilities other than provisions | | |
| | Current liabilities other than provisions | | |
| | Trade payables | 3,009,677 | 285,282 |
| 9 | Other payables | 945,779 | 148,118 |
| | | <u>3,955,456</u> | <u>433,400</u> |
| | Total liabilities other than provisions | <u>3,955,456</u> | <u>433,400</u> |
| | TOTAL EQUITY AND LIABILITIES | <u><u>32,366,790</u></u> | <u><u>17,193,912</u></u> |

- 1 Accounting policies
- 2 Material going concern uncertainties
- 10 Contractual obligations and contingencies, etc.
- 11 Contingent assets
- 12 Collateral

Financial statements 1 January - 31 December

Statement of changes in equity

| DKK | Share capital | Share premium account | Retained earnings | Total |
|---|---------------|--------------------------|----------------------|-------------|
| Equity at 1 January 2021 | 252,172 | 18,403,083 | -1,894,743 | 16,760,512 |
| Capital increase | 98,497 | 32,083,602 | 0 | 32,182,099 |
| Expenses, capital increase | 0 | -125,000 | 0 | -125,000 |
| Transfer through appropriation of loss | 0 | 0 | -20,406,277 | -20,406,277 |
| Equity at 31 December 2021 | 350,669 | 50,361,685 | -22,301,020 | 28,411,334 |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Freya Biosciences ApS for 2021 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Research costs

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

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to administration, premises, external consultants and advisors, payments under operating leases, etc.

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

The item comprises depreciation 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 | 2-5 years |
| Leasehold improvements | 2-5 years |

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries 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.

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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 has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

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. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

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

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Cost realized related to the capital owners, are recognized directly on equity. This includes cost incurred directly related to capital increases.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. 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 crystallise 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.

Tax credits for research and development costs is recognised as a tax receivable of 22 % of the costs eligible for tax credits, when such cost has been realised.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Material going concern uncertainties

As of December 31, 2021, the Company's available liquidity, comprised of cash and cash equivalents, was DKK 24,464 thousand and total equity was DKK 28,411 thousand. For the year ending December 31, 2021 the Company incurred a net loss of DKK 20,406 thousand.

The Company monitors its funding position on a monthly basis to ensure that it has access to sufficient funds to meet its forecasted cash requirements, including investing in platforms and clinical programs for the pipeline. Analyses are run to reflect different scenarios including, but not limited to, cash runway, human capital resources and pipeline priorities in order to identify risks to future liquidity and to enable Management to take corrective actions and allow the Company to continue as a going concern.

Management and the Board of Directors are working to obtain long-term sources of funding for the Company in 2022 and believes it is probable that new funding will be obtained in due time to enable the Company to continue its activities as planned.

The company's ability to continue as a going concern is depending on its ability to raise additional funds. The current cash position is expected to last through third quarter of 2022. Hence additional funding is required before Q4 2022 in order to take the company through its next milestone. Consequently, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern

Management expect that sufficient funding will be obtained to be able to continue operations in 2022. If the fundings are not obtained, the Company may not be able to realize its assets and settle its liabilities in the ordinary course of business. Management assesses that the necessary financing and liquidity will be made available, which is why the financial statements have been prepared accordingly subject to the Company's continued operations.

Financial statements 1 January - 31 December

Notes to the financial statements

| | | | | |
|---|--|--|------------------------|----------------|
| | DKK | 2021 12 months | 2020 9 months | |
| 3 | Staff costs | | | |
| | Wages/salaries | 5,837,562 | 867,842 | |
| | Pensions | 15,210 | 1,515 | |
| | Other staff costs | 36,738 | 3,225 | |
| | | <u>5,889,510</u> | <u>872,582</u> | |
| | | 2021 | 2020 | |
| | Number of employees at the balance sheet date | <u>7</u> | <u>4</u> | |
| 4 | Financial income | | | |
| | Exchange gain | 8,845 | 0 | |
| | | <u>8,845</u> | <u>0</u> | |
| 5 | Financial expenses | | | |
| | Bank interests | 123,884 | 34,902 | |
| | Exchange adjustments | 12,062 | 0 | |
| | Exchange losses | 2,219 | 0 | |
| | Other financial expenses | 1,245 | 0 | |
| | | <u>139,410</u> | <u>34,902</u> | |
| 6 | Property, plant and equipment | | | |
| | DKK | Fixtures and fittings, other plant and equipment | Leasehold improvements | Total |
| | Cost at 1 January 2021 | 452,653 | 0 | 452,653 |
| | Additions | 55,892 | 14,930 | 70,822 |
| | Cost at 31 December 2021 | <u>508,545</u> | <u>14,930</u> | <u>523,475</u> |
| | Impairment losses and depreciation at 1 January 2021 | 15,178 | 0 | 15,178 |
| | Depreciation | 116,493 | 6,843 | 123,336 |
| | Impairment losses and depreciation at 31 December 2021 | <u>131,671</u> | <u>6,843</u> | <u>138,514</u> |
| | Carrying amount at 31 December 2021 | <u>376,874</u> | <u>8,087</u> | <u>384,961</u> |
| | Depreciated over | <u>3-5 years</u> | <u>2-5 years</u> | |
| | DKK | 2021 | 2020 | |
| 7 | Other receivables | | | |
| | VAT Receivable | 1,141,342 | 904,613 | |
| | Tax Account Deposit | 1,651,128 | 0 | |
| | | <u>2,792,470</u> | <u>904,613</u> | |

Financial statements 1 January - 31 December

Notes to the financial statements

8 Share capital

Analysis of changes in the share capital over the past 2 years:

| DKK | <u>2021</u> | <u>2020</u> |
|------------------|-----------------------|-----------------------|
| Opening balance | 252,172 | 90,000 |
| Capital increase | <u>98,497</u> | <u>162,172</u> |
| | <u><u>350,669</u></u> | <u><u>252,172</u></u> |

| DKK | <u>2021</u> | <u>2020</u> |
|--------------------------|-----------------------|-----------------------|
| 9 Other payables | | |
| Payroll related payables | <u>945,779</u> | <u>148,118</u> |
| | <u><u>945,779</u></u> | <u><u>148,118</u></u> |

10 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent liabilities:

| DKK | <u>2021</u> | <u>2020</u> |
|------------------|----------------|----------------|
| Rent liabilities | <u>159,062</u> | <u>131,557</u> |

Rent liabilities include a rent obligation with 3 months termination.

11 Contingent assets

The company has tax loss carry-forwards totalling DKK 15,928,598. The nominal value thereof is 22%, totalling DKK 3,504,292. The amount has not been recognised in the balance sheet due to the uncertainty as to application of the tax losses.

12 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2021.