Allarity Therapeutics A/S

Venlighedsvej 1, DK-2970 Hoersholm
CVR no. DK 28 10 63 51

Annual report for 2020

Contents

Company information etc.

The company

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Board of Directors

Duncan Moore, Chairman
Gail Maderis
Steve Carchedi
Søren Gade Jensen

Executive Board

Steve Carchedi
Jens Erik Knudsen

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. DK 33 77 12 31

COMMENT FROM THE CEO

Dear Shareholders,

I am sure we can all agree that 2020 was filled with unforeseen challenges, and the impact of COVID has affected society for far longer than expected. For our Company, however, it also brought some unexpected opportunities. I am pleased to report that, despite the challenges brought about by the global COVID pandemic, it was a year of positive transformation and progress.

Among such progress, we managed to position our PARP inhibitor, stenoparib, as a potential, new breakthrough medicine for COVID-19, following a remarkably successful collaboration with the Pathogen and Microbiome Institute at Northern Arizona University (NAU) in August 2020, resulting in our announcement that stenoparib had shown pre-clinical anti-viral activity against Coronavirus. Since then, we have conducted additional research to further evaluate the promising anti-viral use of stenoparib, and initiated studies to gauge the activity of our drug against COVID variants, including the British variant and the deadly South African variant. We are one of a limited number of companies developing a possible new treatment for Coronavirus. Should we be successful, Allarity Therapeutics will play a leading role in changing the course of the disease.

In parallel, we have continued to advance our priority cancer therapeutics pipeline, even though somewhat less rapid than we hoped for, because of COVID-19 related delays in most clinical trials activities worldwide. On this front, in early March 2021, we announced the enrollment of the first patient in our European Phase 2 trial of IXEMPRA® for the treatment of metastatic breast cancer. This exciting trial will be the first time we have clinically applied a DRP® companion diagnostic to an already approved (U.S.) drug, and we look forward to positive trial results once full patient enrollment is achieved.

Our most advanced clinical oncology asset is dovitinib, and we made substantial progress in 2020 in moving this drug towards U.S. market approval, along with its DRP® companion diagnostic. We have been working hard in preparing for the regulatory filing, and you may recall that in March 2020, we received feedback from our pre-NDA meeting with the FDA, regarding possible approval for dovitinib used to treat renal cell carcinoma (RCC). Following the additional guidance from the FDA, we had planned to file our dovitinib application in late 2020. Unfortunately, the COVID pandemic impact on our third-party drug manufacturer and created a significant delay to our original timeline. Developing new transformational therapies is always full of unforeseeable uncertainties, and this is a case-in-point. But we are steadfast in our resolve to advance dovitinib to NDA filing and FDA approval. Our work with submitting a Pre-Market Approval (PMA) application with the U.S. FDA for use of the DRP® companion diagnostic for dovitinib was advanced in parallel with the NDA filing preparations, in accordance with our regulatory strategy.

Our high priority portfolio is now stronger than it has ever been in the company's history, as it also includes two additional, promising targeted cancer agents, IXEMPRA® and stenoparib, both in

Phase 2 clinical development, to treat cancer patients with high unmet needs. Accordingly, the future success of our company is not dependent on a single pipeline program.

Our financial situation improved significantly in 2020. Early in the year, we instituted renewed equity financial instruments to better prepare the company for the future, and at the same time we managed to clean up our balance sheet. In doing so, we have steered the company free of its historic dependency on short-term loan funding, which had weighed heavily on the company's outlook. Looking forward to the current year, we have secured funding for the entire year through a rights issue. The summary of the rights issue are as follows:

- The Rights Issue is subject to and will require shareholder approval to authorize the Board of Directors to resolve and implement the necessary changes to the Company's Articles of Association, including the necessary authorizations to increase the share capital.
- The Company has obtained a combination of subscription undertakings and guarantee commitments amounting to in aggregate approximately SEK 101 million, corresponding to approximately 100 percent of the Rights Issue, including undertakings from the Company's largest shareholder.
- The proceeds from the Rights Issue will strengthen the Company's financial position and enable it to continue executing its strategy focused on the Company's three high-priority programs.
- Each share held in the Company on the record date 7 May 2021 will entitle the shareholder to subscription of one (1) Unit Right. Two (2) Unit Rights confers the right to subscribe one (1) Unit.
- One (1) Unit consists of one (1) newly issued share and one (1) warrant (series TO 3) in the Company. The Rights Issue consists of a maximum of 119,520,759 Units.
- The subscription price per Unit is SEK 0.85.
- Each warrant issued in the Rights Issue is intended to confer the right to subscribe for one (1) share against cash payment of SEK 1.70. The warrants may be exercised in a period of up to 24 months following the Rights Issue.
- Proceeds from the Rights Issue will be approximately SEK 100 million before costs. The costs are estimated to approximately SEK 6 million excluding fees to underwriters. The underwriters' fees are estimated to be approximately SEK 10 million. All fees will be paid in Units.
- If all warrants issued in connection with the Rights Issue are exercised, the Company will receive an additional amount of approximately SEK 200 million.

As 2020 progressed, our focus on our top three high priority pipeline programs, and our careful reduction of costs, began paying off. As a result, our operational cost in 2020 was 15 % lower than the previous year. We also announced that our prior stock purchase in Lantern Pharma, Inc., from which we in-licensed our Irofulven program several years ago, was realized in our financials, resulting in over USD 500K to our balance sheet. Along with positive financial improvements in our balance sheet, we expect to monetize two of our de-prioritized portfolio programs, LiPlaCis® and 2X-111, through our out-licensing agreement with Smerud Medical Research International to

continue clinical development of both programs. The result was potential future milestone payments, if both drugs are approved, of over US $30M plus royalties on sales of each drug.

On the organizational front, we have simplified our historical, overly complicated shareholder structure resulting from past Special Purposes Vehicle Structures (SPV), which were partly owned by Allarity and partly owned by angel investors. We successfully managed to convert those angel investment positions to common shares of Allarity. As a result, by the end of 2020, we had a much simpler capital and ownership structure to attract potential strategic partners and new investors.
Several new people joined the Allarity team in 2020. Two new non-executive members joined the board in October. We welcomed Soren Gade, a member of the European Parliament who is also currently serving as patron for the Danish Bowel Cancer Association, and Gail Maderis, currently CEO of Antiva Biosciences, Inc. Also, our new CFO Jens Knudsen, a dual citizen of the U.S. and Denmark, joined our team in November, Jens has experience from several U.S. listed biotech companies. We are delighted to have the strong caliber of these three individuals as a part of the team leading Allarity forward in 2021.

Heading forward in 2021, with no debt and a focused pipeline, is the position we planned for at the end of 2019, when we started a process to completely revamp the company with a renewed strategy and renewed program focus, positioning Allarity as one of the key future contributors to realizing the promise of personalized cancer care. As part of this company refocus, we also renewed our commitment to reward our investors for their longtime support of our company, our vision, and our mission.

Looking forward, we see the potential to gain approval of, and commercially launch, up to 3 cancer novel therapeutics over the next five years, as we gain increasing attention from the U.S. biotech and investor community. We also anticipate expanding patient enrollment in our ongoing Phase 2 clinical trial of stenoparib as a treatment for ovarian cancer, and our imminent NDA filing for dovitinib. Finally, we look forward to expanding enrollment of patients in our recently initiated Phase 2 clinical trial of IXEMPRA®, in Europe, as treatment for metastatic breast cancer.

Overall, I continue to be very optimistic on behalf of our company and look forward to sharing our continuing progress with you in the time to come. After all, the patients are waiting.

Sincerely,
Steve Carchedi

FINANCIAL HIGHLIGHTS AND RATIOS

Amounts in DKK '000	2020	2019	2018	2017	2016
Key figures					
Profit/loss					
Revenue	0	801	2.147	5.145	4.384
Profit/loss before depreciation and amortisation (EBITDA)	-58.958	-66.502	-32.258	-23.794	-13.769
Operating profit/loss before net financials	-60.017	-148.102	-32.471	-23.848	-13.814
Net financials	932	-26.822	9.954	-7.132	49
Net profit/loss for the year	-47.706	-138.132	-15.544	-30.390	-11.308
Balance sheet					
Balance sheet total	176.922	181.201	251.497	12.985	16.364
Purchase of PPE	19	56	37	0	68
Equity	140.583	141.334	181.856	2.445	11.308
Cash flows					
Cash flows from:					
Operating activities	-51.122	-72.415	-27.624	-8.345	-8.410
Investing activities	-19	-3.814	9.855	-794	-68
Financing activities	42.468	84.760	15.791	7.180	8.448
Ratios					
Solvency ratio	79%	78%	72%	19%	69%
Earnings per share (in DKK)	-0,29	-2,08	-0,44	-1,27	-0,49
Diluted earnings per share (in DKK)	-0,29	-2,08	-0,44	-1,27	-0,49

For definitions of ratios, see under accounting policies.

FINANCIAL REVIEW

Income statement

Revenue amounted to DKK 0 in 2020 (DKK 801k for the corresponding period in 2019). Revenue for Q4 2020 amounted to DKK 0 (DKK 282k for the corresponding period in 2019). Loss before depreciation amounted to DKK -58,958k of which DKK -3,687k is share based payments with no cash effect but accounted for due to IFRS requirement (DKK -66,502k for the corresponding period in 2019 where DKK -2,210k is share based payment with no cash effect). The solvency ratio amounted to 79% (last year 78 %).

Earnings per share was -0.29 (last year -2.08). Staff expenses amounted to DKK -22.610k (last year DKK -22,582k due to share-based payments). Staff expenses for Q4 2020 amounted to DKK -6,365k (DKK -10,703k for the corresponding period in 2019). Profit/loss before financial income and expenses showed a loss of DKK -60,017k (last year a loss of DKK -148,102k). Last year's loss was mainly due to an impairment test of the value of company's development projects leading to a lower book value of the total pipeline. Loss before tax amounted to DKK -59,085k (last year a loss of DKK -174,924k). Tax amounted to DKK 11,379k (last year DKK 36,792k) and relates to tax refund of the tax losses from research and development costs and changes in deferred taxes. The Group realized a net loss of DKK -47,706k affected by the non-cash share-based payment (last year a net loss of DKK -138,132k). Net loss for Q4 2020 amounted to DKK -20,249k (DKK -79,063k for the corresponding period in 2019). Last year's loss was mainly due to the impairment test mentioned above.

Balance sheet

Total assets amounted to DKK 176,922k (last year DKK 181,201k) and primarily consist of development projects in progress. Total liabilities amounted to DKK 36,339k (last year DKK 39,867k) and primarily consist of the trade payables.

Cash flows

The Group's cash flow was a negative DKK -8,673k (last year a positive DKK 8,531k).

SUMMARY OF 2020 KEY EVENTS

January

- On January 10, the company announced a directed share issue of 287,500 new shares to Colliander & Partners, who have assisted the company in HR activities. The transaction was a debt conversion of DKK 632,500.

February

- On February 24, the company announced the termination of the financing agreement with European High Growth Opportunities Securitization Fund (EHGO) and its investment manager, Alpha Blue Ocean.

March

- On March 20, the company announced that it had received feedback from its pre-NDA meeting with the U.S. FDA regarding a potential path to approval for Dovitinib. The FDA provided additional guidance to The Company regarding the submission process.
- On March 31, the company announced the establishment of a convertible note program of 100 million SEK with Negma Group LTD and Park Partners GP, a program where the company will remain in full control of the degree of utilization of this source of financing.
- On March 31, the company's Annual Report was published.

April

- On April 3, the company announced a draw-down of the first tranche of SEK 10 million under its convertible note agreement with Negma Group LTD and Park Partners GP.
- On April 7, the company announced a notice to convene Annual General Meeting 2020, to be held on April 22, 2020.
- On April 22, the company announced that it would test the activity of its PARP inhibitor, stenoparib (formerly 2X-121), as a potential therapy for Coronavirus. The testing would be conducted by the Pathogen and Microbiome Institute at Northern Arizona University.
- On April 22, the minutes from the Annual General Meeting 2020 was published.

May

- On May 6, the company announced that the company had entered into a USD 5 million equity investment agreement with a new US based investor named Global Corporate Finance. The agreement runs for 36 months, during which time the company can solely decide to exercise investments by GCF, sequentially, in a number of tranches.
- On May 7, the company announced a directed share issue of 1,952,475 new shares in connection with debt conversion directed to Global Corporate Finance and a consultant.
- On May 29, the company published its Q1 2020 report, covering the period January – March 2020.

June

- On June 8, the company announced that it had acquired the remaining 37% ownership in its priority Dovitinib program from investor Sass & Larsen ApS and thereby had gained full control of the company's Dovitinib program.
- On June 9, the company calls the first investment tranche under its share subscription agreement with Global Corporate Finance.
- On June 11, the company announced the termination of the agreement with its liquidity provider Sedermera Fondkommission.
- On June 29, the company made public that it had signed an agreement to out-license two pipeline assets as part of its prioritized portfolio strategy to Smerud Medical Research International. The deal concerned the two clinical pipeline assets, LiPlaCis® and 2X-111. As a part of the terms of the deal, the company is eligible to receive significant milestone payments as well as royalties.

July

- On July 13, the company announced that it had acquired full ownership of its PARP inhibitor program (at the time known as 2X-121, now stenoparib) by acquiring all outstanding shares in Oncology Venture US Inc., formerly 2X Oncology, Inc., from its external shareholders and warrant holders.

August

- On August 21, the company published that it would offer 1,619,912 new shares, each with a subscription price of DKK 0.05, to a small number of recipients as part of the clean-up of outstanding incentive commitments and obligations made by prior management.
- On August 21, the company announced that it had called upon Global Corporate Finance (GCF) to invest in the Company in a directed share issue in accordance with the Company's share subscription agreement with GCF. A total of 5,980,020 shares at a price per share of SEK 1.3420441 was issued to Global Corporate Finance.
- On August 26, the company announced that its PARP inhibitor stenoparib (formerly known as 2X-121) had shown in vitro anti-viral activity against Coronavirus in pre-clinical studies.
- On August 28, the company published the Interim Report for the period January – June 2020.

September

- On September 21, the company published a notice to convene an Extraordinary General Meeting on October 7, 2020.
- On September 21, the company announced its plans to change its company name to Allarity Therapeutics and restructure its Board of Directors subject to approval of shareholders at the upcoming EGM.

October

- On October 6, the company announced that it has called upon Global Corporate Finance (GCF) to invest in the Company in a directed share issue in accordance with the Company's share subscription agreement with GCF. A total of 5,370,617 shares was issued to Global Corporate Finance.
- On October 6, the company announced that a small group of recipients had received a total of 1,619,912 shares in exchange for previously annulled warrants.
- On October 7, the company announced that the Extraordinary General Meeting had approved the adoption of the Company's new name, Allarity Therapeutics, as well as the restructuring of its Board of Directors, and a revision of the Company's Articles of Association.
- On October 9, Allarity Therapeutics published that following the Company's name change from Allarity Therapeutics A/S to Allarity Therapeutics A/S, the Company will be trading under its new short name (ticker code) ALLR from Monday, October 12, 2020.
- On October 23, Allarity Therapeutics announced several updates related to its planned filing of a new drug application (NDA) with the U.S. Food and Drug Administration (FDA) for dovitinib, one of Allarity's priority programs.

- On October 26, Allarity Therapeutics announced that the United States Patent and Trademark Office (USPTO) had issued Notices of Allowance to the Company for three new DRP® biomarker patents in conjunction with use of several of its clinical pipeline drugs.

November

- On November 4, the company announced that Jens Erik Knudsen, CPA, MBA, had been appointed as its new Chief Financial Officer (CFO), effective immediately, replacing outgoing CFO Henrik Moltke.
- On November 5, the company announced that it had drawn down a second tranche under its convertible note agreement with Negma Group LTD and Park Partners GP.
- On November 30, the company published the Interim Report for the period January – September 2020.

December

- On December 14, the company announced that it had expanded its stenoparib license rights to include anti-viral uses
- On December 22, the company announced that it had drawn down a third tranche under its convertible note agreement with Negma Group LTD and Park Partners GP.

Subsequent events during 2021

January

- On January 26, Allarity Therapeutics announced that it would test its PARP inhibitor, stenoparib, as a potential therapy for new highly infectious Strain B.1.1.7 of Coronavirus in preclinical trials

February

- On February 11, the company announced that it had drawn down a fourth tranche under its convertible note agreement with Negma Group LTD and Park Partners GP.
- On February 24, the company provided an update on the pre-clinical testing of stenoparib's antiviral activity against new variants of Coronavirus

March

- On March 3, the company published that it had initiated a Phase 2 trial of IXEMPRA® in Europe for the treatment of metastatic breast cancer
- On March 9, the company announced positive data from a preclinical study of dovitinib in osteosarcoma
- On March 23, the company announced plans of fully guaranteed rights issue of approximately SEK 100 million

Distribution of profit

The Board of Directors proposes that the loss for the year is transferred to retained earnings.

CAPITAL RESOURCES AND LIQUIDITY

As a drug development company, and like other similar companies, Allarity Therapeutics over the years has shown negative cash flow why the company is dependent on being recapitalized until reaching the point where a positive cash flow begins. The Board of Directors and Management are constantly monitoring Allarity's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company. To further optimize and secure the financial position of the company the management is continuously considering relevant improvement initiatives, e.g. partnering deals, capital increases or loan facilities. Following the strategic refocusing of the company, such options also includes pursuing out licensing agreements regarding de-prioritized development programs.

In March 2021, the Company announced plans regarding a fully guaranteed rights issue of approximately SEK 100 million. A summary of the rights issue is described on page 5 of this Annual Report.

The Board of Directors and Management have confidence in the company as a going concern, and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

Q4 – CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Amounts in DKK '000	Q4 2020	Q4 2019
Revenue	**0**	**282**
Other operating income	-6.954	2.100
Other external expenses	-11.344	-12.170
Staff expenses, share-based payments	-565	-2.110
Staff expenses, other	-5.800	-8.593
Loss before depreciation (EBITDA)	**-24.663**	**-20.491**
Depreciation, amortisation and impairment losses	-264	-80.774
Operating loss before net financials	**-24.927**	**-101.265**
Financial income	1.202	-161
Financial expenses	-3.723	-8.982
Profit/loss before tax	**-27.448**	**-110.408**
Tax on profit/loss	7.199	31.345
Net profit/loss	**-20.249**	**-79.063**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	74	42
Other comprehensive income for the period, net of tax	**74**	**42**
Total comprehensive income	**-20.175**	**-79.021**

Q4 – CONSOLIDATED CASH FLOW STATEMENT

Amounts in DKK '000	Q4 2020	Q4 2019
Loss before tax	**-27.448**	**-110.408**
Adjustment for non-cash items	853	82.883
Financial income, reversed	-1.202	161
Financial expenses, reversed	3.723	8.982
Change in working capital	5.462	2.844
Cash flows from operating activities before net financials	**-18.612**	**-15.538**
Financial income received	1.258	-391
Financial expenses paid	-1.826	-6.489
Income tax received	2	8.988
Cash flows from operating activities	**-19.178**	**-13.430**
Purchase of property, plant and equipment	0	-16
Purchase of intangible assets	0	328
Cash flows from investing activities	**0**	**312**
Cash capital increase	6.685	48.254
Transaction cost, capital increase	-131	-26.718
Proceeds from convertible loan	14.509	8.338
Repayment of loan	0	-8.807
Bank debt	-194	72
Lease liabilities	-149	-128
Cash flows from financing activities	**20.720**	**21.011**
Total cash flows for the period	**1.542**	**7.893**
Cash, beginning of period	191	2.265
Net foreign exchange difference	74	18
Cash, end of period	**1.807**	**10.176**

ALLARITY THERAPEUTICS A/S IN BRIEF

Allarity Therapeutics A/S develops drugs for the personalized treatment of cancer using drug-specific companion diagnostics (cDx) generated by its proprietary and highly validated drug response predictor technology, DRP®.

The Company is a merged company between two prior affiliated companies, the drug development company Oncology Venture Sweden AB and the predictive diagnostic development company Medical Prognosis Institute A/S.

Allarity Therapeutics A/S (Nasdaq First North Growth Market Stockholm: ALLR.ST) develops drugs for the personalized treatment of cancer using drug-specific companion diagnostics (cDx) generated by its proprietary drug response predictor technology, DRP®.

The Company has three high-priority programs: dovitinib –a pan-tyrosine kinase inhibitor (pan-TKI), which is post Phase 3 trials, being prepared for a U.S. new drug approval (NDA) filing in renal cell carcinoma (RCC); stenoparib, a PARP inhibitor in Phase 2 trials for treatment of ovarian cancer and which has also shown anti-viral activity against Coronavirus in pre-clinical studies; IXEMPRA® (ixabepilone) –an approved and marketed (U.S.) microtubule inhibitor being advanced for Phase 2 clinical development (in the EU) for the treatment of breast cancer, and irofulven, a DNA damaging agent, in Phase 2 for prostate cancer.

In addition, the company's pipeline includes two programs licensed to Smerud Medical Research for further clinical and commercial development in connection with each program's DRP® companion diagnostic: LiPlaCis®, a liposomal formulation of cisplatin, licensed to Smerud Medical Research to be developed as a treatment of late-stage metastatic breast cancer, and 2X-111, a liposomal formulation of doxorubicin to be developed as a treatment of glioblastoma (primary brain cancer).

Cancer is no longer an enigma – it is just very complex

Today, one in two people will develop cancer at some point in their lives[1] . Over 200 different types of cancer can affect humans, altogether causing almost 10 million deaths per year[2]. The incidence of cancer is increasing as the world's population is aging [3].

It is often a complex and frustrating process to identify the optimal treatment for an individual patient. Cancer is a heterogenous disease and on a cellular level there are over 1.8 billion possible causes for tumor development. Consequently, it is a major challenge for physicians to match the right treatment to the right patient. This challenge also restricts the ability of the pharmaceutical industry to develop novel and improved therapies. If new drug candidates are evaluated in a large

[1] https://www.cancerresearchuk.org/about-us/cancer-news/press-release/2015-02-04-1-in-2-people-in-the-uk-will-get-cancer

[2] https://www.who.int/news-room/fact-sheets/detail/cancer

[3] https://www.who.int/news-room/fact-sheets/detail/cancer

and heterogenous group of patients, the average efficacy may be modest – halting the development of the drug. This despite subsets of the treated patients responding well to the drug. If the drug were to be given to the most susceptible patients the effect might be overwhelming rather than modest, benefitting both patients and the drug development companies. It is worth noting that such "failed" drug candidates often have an excellent safety profile and favorable pharmacokinetics.

The concept of "precision medicine" has emerged to address these issues, fueled by development of better predictive diagnostics to help identify patients most likely to respond to a given drug, and Allarity Therapeutics is at the forefront of this growing field with its clinical pipeline and best-in-class DRP® diagnostic platform.

ALLARITY'S VISION AND MISSION

Allarity was founded to advance a singular vision, mission and strategy: To improve the therapeutic benefit of anti-cancer drugs in cancer patients selected by use of the Company's DRP®, a best-in-class predictive biomarker technology platform that enables the pre-identification of high likely responder patients to a given drug. By doing so, we are Realizing the promise of Personalized Cancer Care.

Business model

Allarity has evaluated and acquired the rights for a number of cancer drug candidates with proven safety profiles and clear signs of clinical efficacy, but where previous clinical trials failed to meet their endpoints as a result of failure to identify the right responder patients. Such assets are far from rare – less than five percent of all investigational cancer drugs are ultimately approved and reach the market, and the remaining 95 percent are shelved during development, frequently due to lack of sufficient efficacy in a greater, unselected heterogenous population. Allarity has already shown, in many retrospective studies, on a wide range of approved and developmental cancer drugs, that such drugs could have had significantly improved efficacy rates if they had been administered to susceptible patients, pre-selected through a DRP® analysis.

High-priority programs

So far, Allarity has in-licensed a total of six drug candidates to its portfolio. Three of these now constitue the Company's high-priority programs, namely dovitinib, stenoparib, and IXEMPRA®. All of these three drug candidates, have been developed by global big pharmaceutical companies: dovitnib by Novartis AG; stenoparib by Eisai Co; and IXEMPRA® by Bristol Myers Squibb (although it is now under the ownership of R-Pharm US). Allarity believes its ability to secure these de-risked, former Big Pharma assets is indicative of the trust placed in the Company's ability to the transform the efficacy profile of these drug candidates, through use of DRP® companion diagnostics, in order to advance and market these drugs as personalized cancer treatments.

Generally speaking, after acquiring rights to a new drug candidate, Allarity tailors the renewed clinical development of the drug to those patients who are expected to benefit most. Such a patient

population is identified by Allarity's DRP® companion diagnostic. Three of the Company's drug candidates have reached advanced Phase 2 and Phase 3 clinical stages.

Ultimately, Allarity aims to out-license or divest drug candidates to global or regional pharmaceutical companies based on the results of the Company's Phase 2 and/or Phase 3 DRP®-guided trials. In the cancer space, such advanced clinical stage outlicensing frequently entails significant upfront- and milstones paymnets, as well as potential double digit royalties on sales of the registered drug.

Other clinical programs

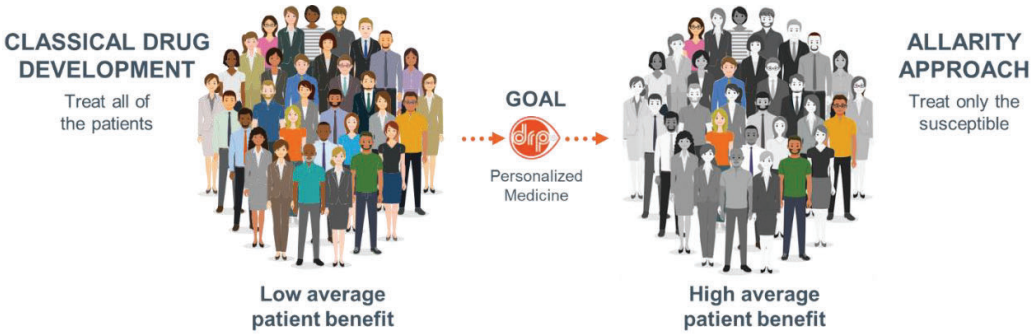
As a strategic choice, to decrease the time-to-market for its total portfolio as well as to create the shortest pathway to commercizlation, Allarity may also choose to out-license the further development of a drug candiate for which Allarity hold commercial rights. This has already happened in the case of LiPlaCis® and 2X-111, which have been outlicensed to Smerud Medical Research International AS.

MARKET DESCRIPTION

Introduction

The oncology market accounted for more than USD 140 billion in branded pharmaceutical sales in 2019. At approximately 20% of global pharmaceutical sales, this makes cancer by far the largest pharmaceutical segment[4]. More than 200 different types of cancer cause more deaths than all other categories of disease except cardiovascular diseases. A current estimate is that there were more than 1400 active cancer cell therapies in development in 2020, compared to around 1000 in 2019[5].

Allarity's Precision Medicine approach



Allarity is one of the leading companies in a new cancer treatment paradigm known as Precision Medicine which allows health care providers to offer and plan specific care for their patients based on the person's genes (or the genes in their cancer cells)

[4] McKinsey and Company: Delivering Innovation: 2020 oncology market outlook. September 9, 2020
[5] https://www.cancerresearch.org/scientists/immuno-oncology-landscape/cancer-cell-therapy-landscape

Cancer has historically been treated with a "one size fits all" approach, simply applying the same treatments to patients with cancers originating in the same locations in the human body (*e.g*. liver, breast, lung) without regard to the vast differences in tumor biology and drug response from one patient to the next. However, it is increasingly recognized that cancer is extremely complex and that a patient's response to a given drug depends on a variety of factors, including genetics, tumor biology, and environmental influences, which means that the efficacy of a particular treatment can vary greatly between individuals. This constitutes a cancer care problem in several ways: First, since many cancer treatments are associated with severe, even sometimes painful side effects, these treatments should ideally be limited to patients who will actually benefit from. Second, many cancer treatments, especially certain newer targeted agents and immunotherapies are extremely expensive and pose an increasing burden on public health economies, even in affluent developed societies. For public health reasons, it is important that these treatments are only given to patients who are likely to actually benefit from them. Thirdly, most cancer treatments change the biology of the tumor, which impacts on the potential effect of further treatments, so it is imperative to avoid giving cancer patients drugs that they are unlikely to respond to.

Market trends

The number of people living with cancer is increasing

The number of people living with cancer worldwide has increased dramatically over the last couple of decades. The main reason is the aging population, coupled with advances in cancer treatment resulting in more cancer patients surviving for a longer period of time and requiring management of their disease. A large majority of people diagnosed with cancer are more than 60 years old.

The number of people diagnosed with cancer is also increasing

The factors mentioned in the previous section naturally lead to more cancer diagnoses as does general population growth. Adding to this trend is general medical advances (to identify ever more tumor associated antigens), better diagnostic technologies, an increased use of large population-based screening programs, and a generally increased awareness among doctors and patients of early cancer warning signals.

The demand for Personalized Medicine is growing

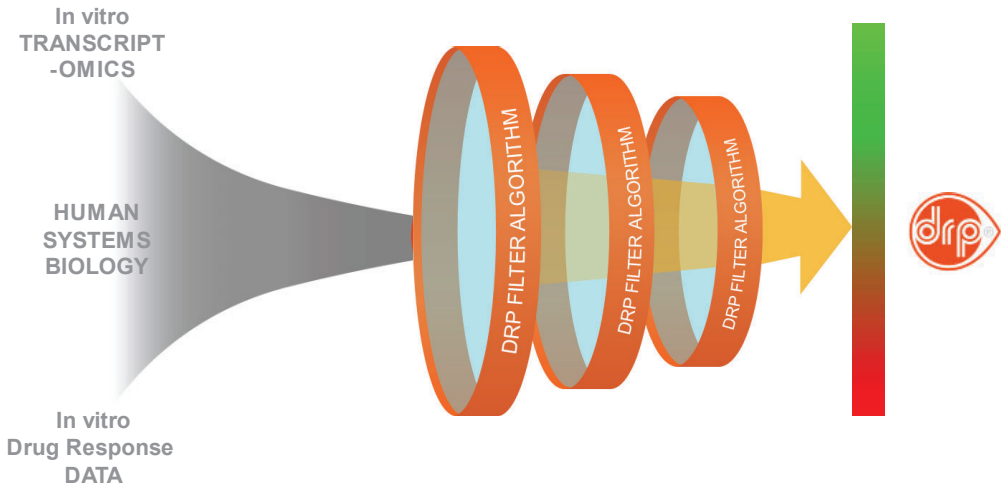
The demand for Personalized Medicine is increasing and cancer patients, regulatory authorities, insurers, and treating physicians are also increasingly seeking for new companion diagnostics to help identify the right treatments for each individual patient. More and more drugs are being approved together with a companion diagnostic, especially in the United States, where the FDA is encouraging companies to develop and seek approval for such "companion diagnostic" plus therapeutic combinations.

RESEARCH AND DEVELOPMENT ACTIVITIES

The DRP® technology platform

Allarity's proprietary DRP® predictive biomarker technology enables it to identify and treat those patients who are most likely to be sensitive to a particular cancer drug. DRP® provides a gene expression "fingerprint" that distinguishes tumors that are sensitive to treatment with a specific drug from those that are insensitive. By including only patients with sensitive tumors in clinical trials (and excluding patients who are unlikely to respond), DRP® enables a more realistic assessment of the drug's true efficacy, when it is matched with the right patients. The DRP® technology has been validated and proven in 35+ clinical trials (retrospective), establishing that patient response to a given cancer treatment can be predicted with a high degree of statistical significance.

The DRP® platform technology builds on the comparison of sensitive versus resistant human cancer cell lines exposed to a given drug, including gene expression information from cell lines combined with clinical tumor biology and clinical correlates in an advanced systems biology analytic algorithm. DRP® is based on messenger RNA and micro RNA from the patient's biopsies. The DRP® platform can be applied to all cancer types and most cancer drugs and drug-specific DRP® biomarkers have been patented for more than 70 anti-cancer drugs.



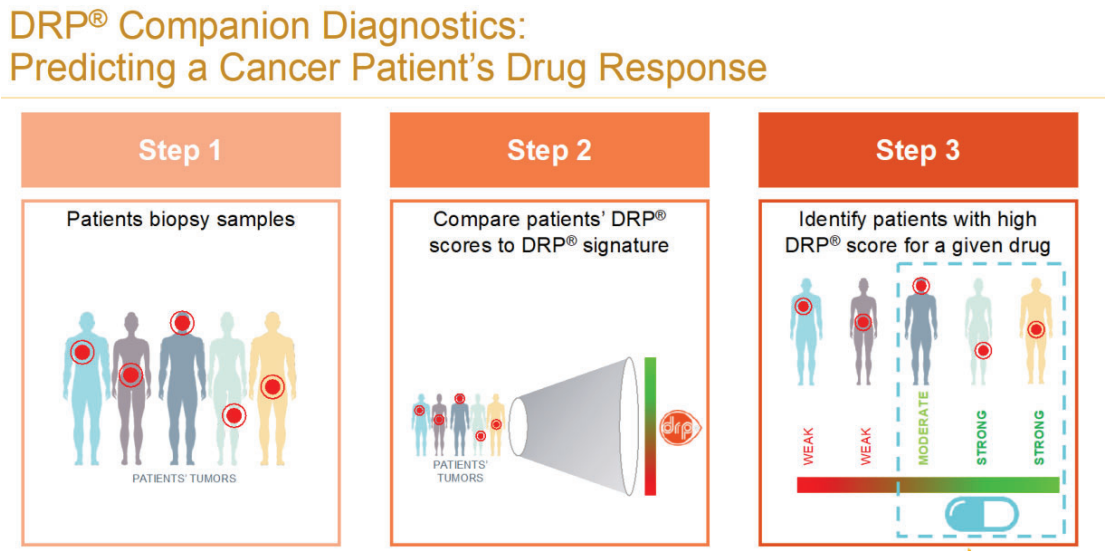
Allarity's DRP® companion diagnostics platform

Using cancer cell line drug testing data as input the DRP® engine applies a system biology approach as a filter of human tumor biopsy data, to yield a 50 to 400 gene DRP® for that specific drug. The proprietary system biology approach utilized by Allarity analyzes all genes (approximately 25,000) expressed in a cancer cell/tumor, without bias towards current knowledge of relevant drug targets or pathways. Instead, the DRP® platform lets the tumor cells themselves reveal what is important to response or resistance to a given drug.

How DRP® works

Allarity's scientists begin development of a DRP® for a specific drug by first generating a preliminary drug response signature based on drug sensitivity (or resistance) gene expression

data from a multitude of cancer cell lines treated with the drug (Allarity most frequently use the highly regarded NCI60 cancer cell line panel, which comprises 60 cell lines derived from most tumor types). Initial cancer cell line testing data is then "filtered" through a proprietary clinical response screening process that Allarity has created by analyzing thousands of actual cancer patients' biopsies (from numerous clinical trials of many different cancer drug types) to reduce the "background noise" from the cell line data in order to remove biomarkers that are clinical irrelevant to actual, observed patient response in clinical trials. The resulting DRP® biomarker (the "fingerprint") makes it possible to predict whether a particular patient is likely to benefit from treatment with a certain drug. The assessment of the individual patient is done based on a biopsy from that patient's tumor.



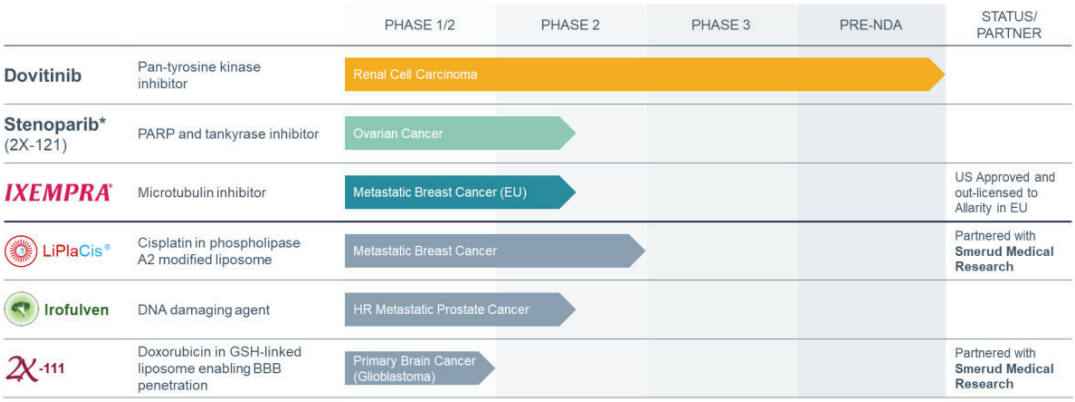
The Patient Response Predictor (PRP®)

In the longer term, Allarity has an opportunity to expand the DRP® technology towards the development of new Patient Response Predictor (PRP®) oncology diagnostic products. Collections of drug-specific DRP® biomarkers can be included in a single PRP® patient guidance report to assist the patient and their oncologist with valuable input on potential therapy options for the patient's particular cancer. The Company believes that such a PRP® product portfolio could become a valuable diagnostic option for a large group of cancer patients, who currently lack other suitable predictive diagnostic products to help guide their therapy decision and options. Allarity sees PRP® as a novel product and market opportunity within Personalized Medicine, focusing on the future development of direct-to-consumer and/or direct-to-oncologists products and services to help inform personal cancer treatment decisions together with the consultation and care of an oncologist. The PRP® report would make it possible to assist patients and doctors by helping them determine which cancer treatment(s) may be most suitable in each specific case.

Clinical development programs

Allarity's clinical pipeline includes six drug development programs, with dovitinib (a pan-TK inhibitor), stenoparib (a PARP and tankyrase inhibitor), and IXEMPRA® (ixabepilone, a microtubulin inhibitor) being the three high-priority programs. Two secondary programs, LiPlaCis® and 2X-111, are licensed to Smerud Medical Research International.

Allarity's clinical pipeline



In accordance with the Company's development and commercialization strategy, all clinical development candidates are advanced with a DRP® companion diagnostic to select and treat the patients most likely to benefit from the treatment.

Dovitinib

Dovitinib is Allarity's most advanced clinical asset. Following a recent pre-NDA meeting, the U.S. FDA provided guidance to the Company regarding its potential path to approval. Based on this feedback from the FDA, Allarity plans to file a New Drug Application ("NDA") for the approval of dovitinib for the treatment of Renal Cell Carcinoma ("RCC" or "kidney cancer") during 2021. Allarity will seek U.S. approval for dovitinib based on "non-inferiority" against the already approved compound sorafenib (Bayer) for the treatment of RCC, based on prior Phase 3 trial results (a Phase 3 has already been conducted by Novartis), and using our DRP® companion diagnostic for dovitinib to select and treat likely responder patients. Allarity is using the data from the prior Phase 3 trial to prove that dovitinib is in fact "non-inferior" to sorafenib for the treatment of RCC and looks forward to dovitinib being approved by the FDA as a safe and efficacious drug beneficial to RCC patients as a third line treatment. It is important to note that the review process is unpredictable and may or may not lead to a formal approval.

Dovitinib is a small molecule, pan-tyrosine kinase inhibitor (TKI) licensed from Novartis. This extensive, prior drug development program includes data from more than 2,500 patients. Dovitinib has shown identical clinical activity to sorafenib (NEXAVAR®, an approved pan-TKI marketed by Bayer) in a randomized Phase 3 study in renal cancer and in a randomized Phase 2 study in liver cancer, both conducted by Novartis. Sorafenib is the current gold standard in the treatment of certain forms of liver cancer and approved in certain forms of kidney cancer. Dovitinib has also shown activity in several Phase 2 studies in lung, prostate, endometrial and thyroid cancers, as well as GIST.

Allarity Therapeutics has previously validated its DRP® for dovitinib using clinical biopsy materials from most of Novartis' prior clinical trials for the drug. Accordingly, future development of dovitinib will benefit from use of the drug-specific DRP® to identify the patients who will most likely benefit. The DRP® has shown a strong ability to predict treatment response in prior clinical studies of renal, endometrial, GIST (Gastro Intestinal Stromal Tumor), liver and breast cancer tumors. The Company also plans to file its first pre-market approval (PMA) application in 2021 with the U.S. FDA for the use of the dovitinib DRP® as a companion diagnostic for the drug.

If the FDA provides the anticipated PMA approval of the dovitinib DRP® and an NDA approval of dovitinib, the Company will be able to market the drug to DRP®-selected RCC patients as an effective new therapy to treat their disease.

The market for dovitinib

Dovitinib addresses a significant unmet need for new treatments for kidney cancer. Annual sales of sorafenib, under the trade name NEXAVAR®, were approximately USD 715 million in 2018. The global Renal Cell Carcinoma market is projected to grow to USD 6.3 billon 2022. Additionally, dovitinib has promising market potential, both as a monotherapy and in combination with other agents (such as immune checkpoint inhibitors) in a number of other cancer indications.

Stenoparib

Stenoparib is a novel small molecule (oral), targeted inhibitor of Poly ADP-Ribose Polymerase (PARP), a key DNA damage repair enzyme active in cancer cells, currently being evaluated for cancer and potentially as an anti-viral treatment for Coronavirus.

Stenoparib is currently being evaluated for the treatment of advanced ovarian cancer in a DRP®-guided Phase 2 clinical trial at the Dana-Farber Cancer Institute (Boston, MA U.S.A.) using a DRP® companion diagnostic to guide patient enrollment and improve therapeutic outcome. The drug has been tested in over 60 individuals to date and is demonstrated to be safe and well tolerated. Through use of DRP® patient selection, Allarity Therapeutics aims to provide a superior clinical benefit, to ovarian cancer patients receiving stenoparib, as compared to other approved PARP inhibitors. Thus far, 10 of a target 30 patients are enrolled in the study. In general, patient enrollment is being delayed because of the ongoing COVID-19 pandemic.

The market for stenoparib

The Company believes stenoparib has broad potential both as mono-therapy and in combination with immune-oncology drugs and/or chemotherapy since there is no myelosuppression in clinically relevant doses associated with stenoparib. The global PARP inhibitor market is projected to reach USD 9 billion by 2027 in ovarian cancer alone. Another significant opportunity is the market for PARP inhibitors in pancreatic cancer which is expected to show high growth rates over the coming five years.

Stenoparib as an COVID-19 antiviral drug

Allarity is further opportunistically evaluating the potential anti-viral use of stenoparib. The Pathogen and Microbiome Institute at Northern Arizona University (NAU), a leading U.S. infectious disease test center, is currently conducting pre-clinical testing of the antiviral activity of stenoparib. The testing us focused on Coronavirus Variant B.1.1.7 (the "British variant") and Variant B.1.351 (the "South African variant"). The testing against the British and the South African variants follow previous positive pre-clinical test results with stenoparib as a treatment of SARS-CoV-2, as published in the peer-review journal mBio[6]. The data showed that stenoparib inhibits SARS-CoV-2 as a single agent, and that stenoparib, in combination with remdesivir was also active in inhibiting the virus. The concentration of stenoparib required for virus inhibition was lower in the combination study with remdesivir than in the single agent study.

The ongoing testing of stenoparib at the at the Pathogen and Microbiome Institute forms the first steps of a potential therapeutic expansion of stenoparib into anti-viral applications. The drug is one of a limited number of drug candidates having showed pre-clinical efficacy against SARS-Cov-2.

IXEMPRA®

Allarity Therapeutics holds an exclusive option to license the European rights to IXEMPRA®(ixabepilone) from the pharmaceutical company R-Pharm U.S. The drug, a microtubulin inhibitor, was originally developed by Bristol-Myers Squibb (BMS) and is approved in the U.S. for the treatment of certain types of breast cancer. R-PHARM U.S. LLC currently owns and commercializes the drug in the U.S. The Company is currently enrolling patients in a DRP® guided Phase 2 clinical trial to evaluate IXEMPRA® for the treatment of metastatic breast cancer. Multiple trial sites in Europe are planned to participate in the patient enrollment. The Company's protocol aims towards an enrollment target of 60 patients.

The market for IXEMPRA®

Through use of DRP® patient selection, Allarity aims to provide a superior clinical benefit to breast cancer patients receiving IXEMPRA® compared to patients who receive IXEMPRA® without DRP® selection. The global breast cancer therapeutics market is projected to grow to USD 25 Billion by 2024. One of the leading drivers of this market growth will be the use of pre-surgery neoadjuvant therapies in the newly diagnosed patient population, a future market expansion opportunity for IXEMPRA®.

SHARE INFORMATION

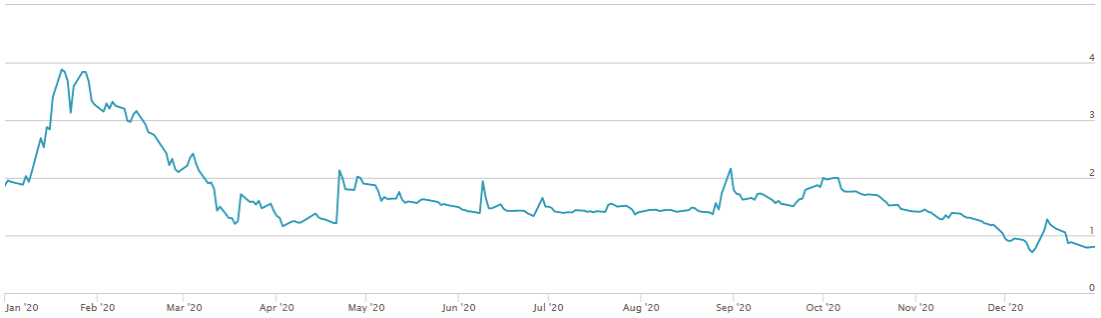
Allarity Therapeutics' share is traded on Nasdaq First North Stockholm. ISIN code: DK0060732477. Ticker: ALLR. The Company is the result of a merger between Oncology Venture Sweden AB and Medical Prognosis Institute A/S (MPI), which was completed on August 21, 2018. Prior to the merger, Oncology Venture Sweden AB's share was traded at AktieTorget (now Spotlight). MPI was

[6] https://mbio.asm.org/content/12/1/e03495-20

originally listed at Nasdaq First North Copenhagen in October 2013. The listing was moved to Nasdaq First North Stockholm on June 27, 2016.

Share price trend

In 2020, the share price decreased 59 percent, from SEK 1.96 to SEK 0.8. At year-end, the market capitalization was SEK 170.1 million, based on a closing price of SEK 0.8. During the year 759,236,230 Allarity Therapeutics shares were traded for a value of SEK 1,559,383,539.



Ownership structure

Allarity Therapeutics had 7,180 shareholders by March 22, 2021. The Board of Directors and Management of the Company holds 3,4 percent of the shares.

Name	Number of shares	Percentage of voting rights and capital (%)
SASS & LARSEN APS	36,778,537	15.4%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	11,035,954	4.6%
UBS SWITZERLAND AG, W8IMY*	9,427,995	3,9%
Others	181,799,033	76,1%
Total	**239,041,519**	**100.0%**

*This nominee account includes Steen Knudsens shareholding of 6,248,847 shares. Steen Knudsen is a co-founder of Allarity Therapeutics.

Share capital

March 15, 2021, the share capital totaled DKK 11.952.075,95, distributed between 239,041,519 shares with a quotient value of DKK 0,05. There is only one class of stock. Each share carries one vote at the Annual General Meeting and all shares carry equal right to a share in the assets and profits of the Company.

Warrants

As an incentive for the Board Members, employees and key persons Allarity Therapeutics A/S has implemented a total of seven Warrant programs where of 5 is active.

Warrant plan #7

On December 18, 2020, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 until

September 1, 2022 respectively October 1, 2023 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including September 30, 2032 respectively October 31, 2033.

Warrant plan #6
On October 18, 2019 an equity-settled stock option plan was approved at an extraordinary general meeting, which provides board of directors and members of the executive management of the Group with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 until October 1, 2022 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including September 30, 2032.

Warrant plan #5
On February 24, 2017 an equity-settled stock option plan was approved at an extraordinary general meeting, which provides board of directors and members of the executive management of the Group with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with either immediately vesting upon granting, or with a monthly vesting of 1/36 until July 1, 2019 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including July 1, 2021.

Warrant plan #4
On February 18, 2016, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 from July 1, 2016 until July 1, 2019, provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including July 1, 2021.

Warrant plan #3
On December 17, 2014, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel and with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with 50% immediately vesting upon granting, 25% vesting on December 17, 2015 and 25% vesting on July 3, 2016, provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including July 1, 2021.

Please see for further information note 7.

Investor warrants
20,166,221 investor warrants (TO1 warrants) have been granted to investors in connection with subscription of Offer Units in the rights issued carried out April/May 2019. All Warrants were vested as per the grant date. A warrant gives the right, during a fixed period to subscribe for nominal DKK 0.05 ordinary share in the Company at SEK 7.5 (the "Exercise Price"), converted into DKK using the official exchange rate between DKK and SEK on the exercise day. Each warrant carries the right to subscribe.

Warrants may be exercised in the periods: June 1, 2019 – June 7, 2019; September 1, 2019 – September 6, 2019; December 1, 2019 – December 6, 2019; April 1, 2019 – April 10, 2019; May 1, 2020 – May 31 2020 (the "Warrant Exercise Periods").

50,341,080 investor warrants (TO2 warrants) have been granted to investors in connection with subscription of Offer Units in the rights issued carried out October- December 2019. All Warrants were vested as per the grant date. A warrant gives the right, during a fixed period to subscribe for nominal DKK 0.05 ordinary share in the Company in the Company at SEK 6,0 (the "Exercise Price"), converted into DKK using the official exchange rate between DKK and SEK on the exercise day. Each warrant carries the right to subscribe. Investors in the Rights Issue will have the possibility to exercise their warrants in five two-week windows during the 24-months period during which the warrants may be exercised.

These periods are: April 1, 2020 – April 15, 2020, September 1, 2020 – September 15, 2020, February 1, 2021 – February 15, 2021, May 1, 2021 – May 15, 2021 and September 1, 2021 – September 15, 2021

Dividend policy and proposed dividend

Allarity Therapeutics will continue to focus on the development and expansion of its priority drug development projects. Available financial resources and recognized profit are therefore to be reinvested in the operations to finance the Company's long-term strategy. Accordingly, the Board of Directors does not intend to propose any dividend to shareholders until such time as the Company generates sustainable profitability. The Board of Directors proposes that the Annual General Meeting resolve not to issue a dividend for the financial year.

Certified Adviser

Allarity Therapeutics Certified Adviser is Svensk Kapitalmarknadsgranskning AB, Fähusgatan 5, 603 72 Norrköping. Phone: +46 11-32 30 732.

Financial calendar 2021

Annual General Meeting	April 15
Interim Report January-March	May 28
Interim Report January-June	August 31
Interim Report January-September	November 30

Annual General Meeting

Oncology Venture's Annual General Meeting 2021 will be held April 15, 2021. For information, please see the Notice on www.allarity.com. The minutes from the meeting will be made available at the same webpage.

BOARD OF DIRECTORS

Duncan Moore

Moore has been a board member of Allarity Therapeutics since 2018. Previously he served as chairman of Oncology Venture Sweden AB (publ), since 2015. Moore is a partner in the company East West Capital Partners and has previously worked as Global Head of Healthcare Research at Morgan Stanley. Duncan has over twenty years' experience in capital markets analysis within health care.

Independent in relation to the Company and its management and the Company's major shareholders.

Number of shares: 260 651.

Gail Maderis

Gail is currently CEO of Antiva Biosciences, Inc., and a Board member at Valitor, Inc., DURECT corporation, the BIO emerging company and health sector, and the U.C. Berkeley Foundation Board of Trustees. Earlier in her career, Gail was CEO at Five Prime Therapeutics, Inc., President of Genzyme Molecular Oncology, and a Manager at Bain & Company. Gail joined the board in 2020.

Independent in relation to the Company and its management and the Company's major shareholders.

Steve Carchedi

Steve has served as CEO and a Director of Allarity Therapeutics since September 2019. He brings more than 30 years of commercial industry experience focused on oncology from several leading multinational pharmaceutical biotech companies. Steve has served in CEO positions in both privately owned and Nasdaq-listed biotech companies, all with a late-stage oncology focus in which he has led financing, commercialization, and re-structuring activities.

He was previously President & Chief Executive Officer of Apexian Pharmaceuticals, an early-stage oncology discovery and development company focused in novel targets to treat cancer, and earlier served as Chief Executive Officer of Raphael Pharmaceuticals (formerly Cornerstone Pharmaceuticals), an oncology company focused in cancer metabolism.

Earlier in his career, Steve served as the Senior Vice President and President, Commercial Operations (North America) for Mallinckrodt Pharmaceuticals leading the company listing on NYSE. In addition, he previously held senior leadership positions at General Electric, Johnson & Johnson, Eli Lilly & Company, and Bristol Myers Squibb. In addition to his executive experience, Steve currently serves on the Board of Directors of Sunesis Pharmaceuticals and Bionumerik Pharmaceuticals. He previously served on the Board of Directors for Apexian Pharmaceuticals,

Cornerstone Pharmaceuticals, and PCAsso Diagnostics, LLC, and was co-chair of the BioNJ Personalized Medicine & Diagnostics Committee Council (CMOC), the Ontario Institute of Cancer Research Commercial Committee (OICR) and the Pharmaceutical Industry Board of the American Pediatric Family Foundation.

Steve received a B.S. in Marketing from West Chester University and an MBA in Marketing from Drexel University.

Number of warrants: 3 523 875.

Søren Gade Jensen

Søren is a current Member of the European Parliament and was former Minister of Defense in Denmark. He current serves on the Board of TecLeaf ApS, CSR Invest ApS, and the Fulton Foundation. He is also Protektor for the Danish Colon Cancer Association. He holds an MSc degree in Economics. Søren joined the board in 2020.

Independent in relation to the Company and its management and the Company's major shareholders.

EXECUTIVE MANAGEMENT TEAM

Steve Carchedi

The description of Steve Carchedi's experience is found in the Board of Directors section (previous section).

Jens Erik Knudsen

Jens has over 30 years of experience leading financial organizations from previous positions as a Vice President of Finance and Controller in numerous public and private companies, including in the life sciences sector.

Before joining Allarity in November 2020, he served as VP of Finance & Operations at Metabo Corporation. Prior to that, he served as Controller at multiple companies, including Eurand Pharmaceuticals, Inc., Beijing Med-Pharm Corporation, and Eximias Pharmaceutical Corporation.

Jens is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.

He received his bachelor's degree in Economic and Business from the Copenhagen Business School, is a Certified Public Accountant (CPA) and holds a master's degree in business administration.

Number of warrants: 1 980 000.

Statement by the Board of Directors and the Executive Board on the annual report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Allarity Therapeutics A/S for the financial year January 1 – December 31, 2020.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2020 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year January 1 - December 31, 2020.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hoersholm, Denmark, March 31, 2021

Executive Board

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Steve Carchedi
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Steve Carchedi

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Jens Erik Knudsen
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Jens Erik Knudsen

Board of Directors

DocuSigned by:
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Duncan Moore
Chairman

DocuSigned by:
Gail Maderis
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Gail Maderis

DocuSigned by:
Steve Carchedi
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Steve Carchedi

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Søren Gade Jensen

To the shareholders of Allarity Therapeutics A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2020 and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at December 31, 2020 and of the results of the Parent Company's operations for the financial year January 1 to December 31, 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Allarity Therapeutics A/S for the financial year January 1 - December 31, 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

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 Group 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.

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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group's and the Parent 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 Group or the Parent 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.

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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, March 31, 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
Mne18651

Thomas Lauritsen
State Authorised Public Accountant
Mne34342

Consolidated income statement and statement of comprehensive income

Note	Amounts in DKK '000	2020	2019
4	**Revenue**	**0**	**801**
5	Other operating income	145	2.100
	Other external expenses	-36.493	-46.821
6, 7	Staff expenses, share-based payments	-3.687	-2.210
6	Staff expenses, other	-18.923	-20.372
	Loss before depreciation and amortisation (EBITDA)	**-58.958**	**-66.502**
	Depreciation, amortisation and impairment losses	-1.059	-81.600
	Operating loss before net financials	**-60.017**	**-148.102**
8	Financial income	7.548	3.281
9	Financial expenses	-6.616	-30.103
	Profit/loss before tax	**-59.085**	**-174.924**
10	Tax on profit/loss	11.379	36.792
	Net profit/loss	**-47.706**	**-138.132**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences on translation of foreign operations	304	119
	Other comprehensive income for the year, net of tax	**304**	**119**
	Total comprehensive income	**-47.402**	**-138.013**

Consolidated income statement and statement of comprehensive income

Note	Amounts in DKK '000	2020	2019
	Net profit/loss attributable to:		
	Owners of the parent company	-47.608	-131.955
	Non-controlling interests	-98	-6.177
	Total	**-47.706**	**-138.132**
	Total comprehensive income attributable to:		
	Owners of the parent company	-47.304	-131.836
	Non-controlling interests	-98	-6.177
	Total	**-47.402**	**-138.013**
11	**Earnings per share**		
	Earnings per share, DKK	-0,29	-2,08
	Diluted earnings per share, DKK	-0,29	-2,08

Consolidated balance sheet

ASSETS

Note	Amounts in DKK '000	31/12/2020	31/12/2019
12	Property, plant and equipment	2,134	2,917
13	Acquired patents and rights	697	955
13	Development projects in progress	155,023	155,023
	Other investments	5,119	0
	Total non-current assets	**162,973**	**158,895**
14	Trade receivables	0	637
10	Income tax receivable	5,500	5,512
	Other receivables	1,722	5,300
	Prepayments	4,920	681
	Cash	1,807	10,176
	Total current assets	**13,949**	**22,306**
	Total assets	**176,922**	**181,201**

EQUITY AND LIABILITIES

Note	Amounts in DKK '000	31/12/2020	31/12/2019
	Share capital	10.630	6.067
	Share premium	388.236	310.527
	Retained earnings	-258.827	-192.970
	Currency translation reserve	544	240
	Non-controlling interests	0	17.470
15	**Total equity**	**140.583**	**141.334**
	Lease liabilities	1.615	2.274
10	Deferred tax	0	6.096
	Non-current liabilities	**1.615**	**8.370**
	Convertible loan	9.246	0
	Loan	0	3.578
	Bank debt	507	0
	Lease liabilities	659	573
	Trade payables	12.817	14.537
10	Income tax payable	345	286
	Other payables	11.150	12.523
	Current liabilities	**34.724**	**31.497**
	Total liabilities	**36.339**	**39.867**
	Total equity and liabilities	**176.922**	**181.201**

Consolidated statement of changes in equity

Amounts in DKK '000	Share capital	Share premium	Retained earnings	Currency translation reserve	Non-controlling interest	Total equity
Equity as at 01/01/2020	6.067	310.527	-192.970	240	17.470	141.334
Profit/loss for the year			-47.608		-98	-47.706
Other comprehensive income				304		304
Total comprehensive income	0	0	-47.608	304	-98	-47.402
Cash capital increases	1.370	25.498				26.868
Capital increases, debt conversion	1.277	18.061				19.338
Capital increase, acquisition of NCI in OV SPV2 ApS	1.297	24.510				25.807
Capital increases, acquisition of NCI in OV US Inc	619	12.881				13.500
Costs of capital increases		-3.241				-3.241
Acquisition, non-controlling interests in OV SPV2 ApS			-11.796		-14.011	-25.807
Acquisition, non-controlling interests in OV US Inc			-10.139		-3.361	-13.500
Share-based payments			3.686			3.686
Equity as at 31/12/2020	**10.630**	**388.236**	**-258.827**	**544**	**0**	**140.583**
Equity as at 01/01/2019	2.516	213.554	-61.040	121	26.705	181.856
Loss for the year			-131.955		-6.177	-138.132
Other comprehensive income				119		119
Total comprehensive income	0	0	-131.955	119	-6.177	-138.013
Cash capital increase in May	764	43.114				43.878
Capital increase, debt conversion in May	244	13.267				13.511
Cash capital increase in December	1.645	45.477				47.122
Capital increase, debt conversion in December	887	24.543				25.430
Costs of capital increases		-29.536				-29.536
Exercise of warrants	11	108				119
Acquisition/disposal, non-controlling interests			-2.250		-3.058	-5.308
Share-based payments			2.275			2.275
Equity as at 31/12/2019	**6.067**	**310.527**	**-192.970**	**240**	**17.470**	**141.334**

Consolidated cash flow statement

Note	Amounts in DKK '000	2020	2019
	Loss before tax	**-59.085**	**-174.924**
16	Adjustment for non-cash items	4.769	83.875
	Financial income, reversed	-7.548	-3.281
	Financial expenses, reversed	6.616	30.103
17	Change in working capital	-143	9.716
	Cash flows from operating activities before net financials	**-55.391**	**-54.511**
8	Financial income received	2.177	53
9	Financial expenses paid	-3.262	-26.899
	Income tax received	5.500	8.942
	Income tax paid	-146	0
	Cash flows from operating activities	**-51.122**	**-72.415**
	Purchase of property, plant and equipment	-19	-56
	Purchase of non-controlling interests	0	-5.308
	Sale of investments in associates	0	1.550
	Cash flows from investing activities	**-19**	**-3.814**
	Cash capital increase	25.906	92.251
	Transaction cost, capital increase	-1.169	-29.536
	Proceeds from convertible loan	21.363	57.739
	Repayment of loan	-3.567	-35.199
	Bank debt	507	0
	Lease liabilities	-572	-495
	Cash flows from financing activities	**42.468**	**84.760**
	Total cash flows for the year	**-8.673**	**8.531**
	Cash, beginning of year	10.176	1.547
	Net foreign exchange difference	304	98
	Cash, end of year	**1.807**	**10.176**

0. Going concern - capital resources and liquidity

As a drug development company, and like other similar companies, Allarity Therapeutics over the years has shown negative cash flow why the company is dependent on being recapitalized until reaching the point where a positive cash flow begins. The Board of Directors and Management are constantly monitoring Allarity Therapeutics' financial position and are prepared to take the adequate measures to secure the ongoing activities of the Company.

In March 2021, the Company announced plans regarding a fully guaranteed rights issue of approximately gross SEK 100 million. The rights issue is subject to and will require shareholder approval to authorize the Board of Directors to resolve and implement the necessary changes to the Company's Articles of Association, including the necessary authorizations to increase the share capital. The Board of Directors intends to convene the Annual General meeting on April 15, 2021 in order to secure shareholder approval of the proposed rights issue. The proceeds from the rights issue will strengthen the Company's financial position and enable it to continue executing its strategy focused on the Company's three high-priority programs until December 31, 2021.

If against expectations, the Company do not complete the rights issue, the Board of Directors and Management will take mitigating actions to secure sufficient cash until December 31, 2021.

To further optimize and secure the financial position of the Company the management is continuously considering relevant improvement initiatives, e.g. partnering deals, capital increases or loan facilities. The Board of Directors and Management have confidence in the Company as a going concern, and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

1. Accounting policies

Allarity Therapeutics A/S is a limited liability company domiciled in Denmark. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Danish kroner (DKK) is the group's presentation currency and the functional currency of the parent company. The consolidated financial statements are presented in Danish kroner (DKK) rounded off to the nearest DKK 1,000.

New financial reporting requirements

The Group has implemented the latest amendments to International Financial Reporting Standards effective as of January 1, 2020 as adopted by the European Union. None of the amendments have had any material impact on the Group's financial statements.

1. Accounting policies - continued -

Business combinations

Newly acquired or newly founded companies are recognized in the consolidated financial statements as from the time of acquisition and the time of foundation, respectively. The time of acquisition is the time at which control of the company is actually obtained. Divested or discontinued companies are recognized in the consolidated statement of comprehensive income up until the time when control ceases.

When new companies are acquired and the group obtains control of an acquired company, it is recognized in accordance with the acquisition method, according to which the newly acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. The acquisition price of a company is the fair value of the price paid for the acquired company. Expenses relating to the acquisition are recognized in the income statement when paid.

Positive differences (goodwill) between the acquisition price of the acquired company on the one hand and the fair value of the assets, liabilities and contingent liabilities acquired on the other are recognized as goodwill and tested for impairment at least once a year.

Alternative performance measures (APMs)

The consolidated financial statements refers to certain key performance indicators, which Allarity Therapeutics and others use when evaluating the performance of Allarity Therapeutics. These are referred to as alternative performance measures (APMs) and are not defined under IFRS. The figures give management and investors important information to enable them to fully analyze the Allarity Therapeutics business and trends. The APMs are not meant to replace but to complement the performance measures defined under IFRS.

Consolidated financial statements

The consolidated financial statements comprise Allarity Therapeutics A/S (parent company) and the companies (subsidiaries) controlled by the parent company. A company is regarded as controlled by the parent company when the parent company is exposed or entitled to variable returns on its involvement in the company, and has the ability to affect those returns through its power over the company.

The consolidated financial statements are prepared based on the financial statements of Allarity Therapeutics A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature calculated in accordance with the group's accounting policies, eliminating intercompany income and expenditure, intercompany balances and dividends as well as gains and losses on transactions between the consolidated companies.

1. Accounting policies - continued -

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency of the individual company are recognized at the exchange rate applicable at the transaction date. Receivables, payables and other monetary items denominated in foreign currency not settled at the balance sheet date are translated using the exchange rate applicable at the balance sheet date.

Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment and the balance sheet date, respectively, are recognized in the income statement as net financials. Property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currency and measured based on historical cost are translated at the exchange rate applicable at the transaction date.

Leases

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

1. Accounting policies - continued -

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in a separate line in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Tax

Tax for the year, consisting of current tax and changes in deferred tax, is recognized in the income statement with the portion attributable to tax on the profit or loss for the year, and directly in equity or in other comprehensive income with the portion attributable to amounts recognized directly in equity or in other comprehensive income, respectively.

Current tax payables and receivables are recognized in the balance sheet as tax computed on the basis of the taxable income for the year and taxes paid or refunded.

Current tax for the year is computed based on the tax rules and tax rates applicable at the balance sheet date.

Deferred tax is recognized using the balance sheet liability method on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences due to either initial recognition of goodwill or initial recognition of a transaction that is not a business combination, and where the temporary difference ascertained at the time of initial recognition does not affect either the tax results or the taxable income. The deferred tax is calculated based on the planned use of the individual asset or settlement of the individual liability.

Deferred tax is measured applying the tax rules and tax rates expected to be applicable when the deferred tax is expected to crystallize as current tax. Any change in deferred tax as a result of changes in tax rules or rates is recognized in the income statement, unless the deferred tax is

1. Accounting policies - continued -

attributable to transactions that have previously been recognized directly in equity or in other comprehensive income. In the latter case, the change is recognized directly in equity or in other comprehensive income, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognized in the balance sheet at the expected realizable value, either through offsetting against deferred tax liabilities or as a net tax asset for offsetting against future positive taxable incomes. An assessment is made on each balance sheet date of whether it is probable that sufficient taxable income will be generated in future to enable utilization of the deferred tax asset.

Grants

Grants are recognized when the conditions for receipt are met and there is reasonable assurance that the grant will be received.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

The Group recognizes revenue when control is transferred to the customer. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on relative standalone selling price. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction and collected by the Group from customers (for example, sales, use, value added, and some excise taxes) are not included in revenue.

Other operating income

Other income comprises income of a secondary nature in relation to the group's activities, including grants and license income. Income from licenses that do not transfer the right of ownership to an intangible asset are recognized over time in accordance with the substance of the agreements.

Other external expenses

Other external expenses comprise expenses relating to marketing, administrative expenses, costs of premises, bad debts, operating leases etc.

1. Accounting policies - continued -

Staff expenses

Staff expenses comprise wages and salaries as well as social security expenses, pensions for group staff, other staff-related expenses and share-based payment compensation.

Share-based payments

Share-based payments of the Group are equity-settled share options granted to employees, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the consolidated statement of profit or loss over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

Equity is also increased by the proceeds received, as and when employees choose to exercise their options.

Net financials

Net financials comprise interest income and expenses, realized and unrealized gains and losses on transactions in foreign currency and realized and unrealized gains and losses on other financial assets.

Amortization of capital losses and borrowing costs relating to financial liabilities is recognized on an ongoing basis as part of the interest expenses.

Earnings per share

Basic net result per share is calculated as the net result for the year divided by the weighted average number of outstanding ordinary shares, excluding treasury shares.

Diluted net result per share is calculated as the net result for the year divided by the weighted average number of outstanding ordinary shares, excluding treasury shares adjusted for the dilutive effect of share equivalents. As the income statement shows a net loss, no adjustments has been made for the dilutive effect.

1. Accounting policies - continued -

BALANCE SHEET

Development projects

Internally generated development projects

Costs incurred in relation to individual development projects are capitalized only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) Management has the intention and ability to complete the intangible asset and use or sell it.

Development projects acquired in a business combination

Development projects acquired as part of a business combination are initially recognized separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognized by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

After initial recognition, intangible assets acquired as part of a business combination follow the accounting policies of internally generated development projects as stated above.

Acquired patents and rights

Acquired patents and rights are measured in the balance sheet at the lower of cost less accumulated amortization and recoverable amount.

Cost comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use. The depreciation period is usually 6 years with no residual value. Depreciation methods, useful lives and residual values are reviewed every year.

Property, plant and equipment

Property, plant and equipment are measured in the balance sheet at the lower of cost less accumulated depreciation and recoverable amount.

Cost comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use. The depreciation period is usually 3-5 years with no residual value. Depreciation methods, useful lives and residual values are reviewed every year.

1. Accounting policies - continued -

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

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables

Receivables comprise trade receivables and other receivables. Receivables are included in the category loans and receivables, which are financial assets with fixed or determinable payments that are not listed in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortized cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Any write-downs for bad debts are determined on the basis of an individual assessment of the individual receivable.

Prepayments

Prepayments recognized under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

1. Accounting policies - continued -

Equity

Direct and incremental costs associated with capital increases are accounted for as a reduction in the proceeds from the capital increase and recognized in shareholders' equity.

The translation reserve in the consolidated financial statements comprises foreign-exchange differences arising on translation of financial statements of Group entities from their local foreign currencies to the presentation currency used by the Group (DKK). On the disposal, entirely or partially, of a Group entity, the exchange-rate adjustment is recognized in profit or loss as a portion of the gain/loss on the sale.

Convertible loan

Convertible loan facility has been separated into liability and equity components based on the terms of the contract. On issuance of the convertible loan facility, the fair value of the liability component, is determined using a market rate for an equivalent non-convertible instrument.

The transaction costs are allocated to each component of the loan.

Liabilities

Non-current liabilities comprise other credit institutions. Payables to credit institutions are measured at cost at the time of contracting such payables (raising of loans). Subsequently, the liabilities are measured at amortized cost, meaning that the difference between the proceeds from the loan and the repayable amount is recognized in the income statement over the period of the loan as a financial expense according to the effective interest method.

Other financial liabilities comprise bank debt, trade payables, other payables to public authorities and other liabilities. On initial recognition, other financial liabilities are measured at fair value less any transaction costs. Subsequently, the liabilities are measured at amortized cost according to the effective interest method, so that the difference between the proceeds and the nominal value is recognized in the income statement as a financial expense over the period of the loan.

CASH FLOW STATEMENT

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash at the beginning and end of the year. Cash flows from operating activities are presented in accordance with the indirect method and are determined as the operating profit or loss adjusted for non-cash operating items, changes in working capital and paid financial income, financial expenses and income tax.

1. Accounting policies - continued -

Cash flows from investing activities comprise payments in connection with the acquisition and sale of companies and financial assets as well as the purchase, development, improvement and sale of property, plant and equipment and intangible assets.

Cash flows from financing activities comprise changes in the parent company's share capital and associated costs as well as the raising and repayment of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividends.

Cash flows in currencies other than the functional currency are recognized in the cash flow statement using average exchange rates, unless they deviate significantly from the actual exchange rates at the transaction dates.

Cash and cash equivalents comprise cash less overdraft facilities that are an integrated part of the cash management.

FINANCIAL HIGHLIGHTS

Explanation of financial ratios:

$$\text{Solvency ratio} : \frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

$$\text{Earnings per share} : \frac{\text{Net profit/loss for the year x 100}}{\text{Average number of shares}}$$

2. Significant accounting estimates and assessments

In connection with the preparation of the consolidated financial statements, the management makes a number of accounting estimates and assessments that affect the recognized values of assets, liabilities, income, expenses and cash flows as well as their presentation.

Accounting estimates reflect the management's best estimates in terms of amounts where the measurement is subject to uncertainty, typically because the estimate is based on assumptions concerning future events. The accounting estimates are based on historical experience and other assumptions deemed relevant, but the actual results may, naturally, deviate from the estimates made. The estimates are regularly reassessed, and the effect of changes is recognized in the consolidated financial statements.

Accounting judgements reflect decisions made by the management as to how the accounting policies are applied in specific situations where the accounting treatment depends on qualitative assessments. Examples could be when the risk passes or how a certain transaction or item is best presented to provide reliable and relevant information.

The following accounting estimates and judgements have had significant impact on the consolidated financial statements for 2020:

Development costs

The conditions for capitalization of development costs are closely defined: an intangible asset must be recognized if, and only if, there is reasonable certainty of receiving future cash flows that will cover an asset’s carrying amount. Since our development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied.

2. Significant accounting estimates and assessments - continued -

Management assess on a continuous basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects. As the currently ongoing projects are subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs have not been satisfied as at December 31, 2020 and comparative periods.

Impairment test for development projects in progress

Allarity Therapeutics is continuously monitoring and assessing the development projects in progress for impairment indications, taking into consideration both the short-term and long-term strategy and plan for the development, as well as result of previous tests, liquidity situation and expectations for future profit.

To assess the value of development projects in progress, Management has prepared a Discounted Cash Flow calculation. This model for valuation is based on a net present value of future expected cash flow, and thus have a number of material assumptions, including expected cost of development, sales price, number of patients and market-share, cost of capital, fulfillment of milestones in in-license and out-license agreements, probability of approval for marketing and completion of the development phase. These variables are based on expectations by Management, budgets, comparison with prior similar products developed by competitors as well as data from professional and industrial bodies, etc. The budget period used in the calculation was around 10 years but differed between the projects. The weighted average cost of capital (WACC) used was 9.9%.

Moreover, an external appraising company has been used during the year to assess the value of the projects. These valuations did not give rise to a different assessment than that of Management.
The calculations showed that for all projects, the value was adequately above booked value and a sensitivity analysis did not give rise to material uncertainty regarding this position.

2. Significant accounting estimates and assessments - continued -

Valuation of warrants

The calculated fair value and subsequent compensation expenses for share-based compensation are subject to significant assumptions and estimates. The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

- The expected stock price volatility: The group has estimated the fair value of its warrants by using the historic volatility of the shares
- The risk-free interest rate, which is based on the Danish government bonds (bullet issues) having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program.

3. Segment information

Allarity Therapeutics is still at an early commercial phase with a limited revenue generating activities. Accordingly, Allarity Therapeutics only has one operating segment, which is also the only reportable segment. Information on profit/loss and total assets for the segment can be found in the consolidated income statement and the consolidated balance sheet.

Allarity Therapeutics is domiciled in Denmark. Allarity Therapeutics has neither revenues from external customers outside Denmark, nor non-current assets in other geographical areas than Denmark. Information on revenues from external customers and non-current assets in Denmark can be found in the consolidated income statement and the consolidated balance sheet. Non-current assets consist of property, plant and equipment and financial assets.

Amounts in DKK '000	2020	2019

4. Revenue

Revenue is distributed as follows:

Rendering of services	0	801
Total	0	801

5. Other operating income

Grants	145	2.100
Total	145	2.100

6. Staff expenses

Wages and salaries	18.730	20.159
Pensions	121	127
Other social security costs	72	86
Share-based payment expense	3.687	2.210
Total	22.610	22.582

Average number of employees during the year	14	16

Key management personnel comprise the CEO and the Board of Directors.

Compensation for executive management and Board of Directors, including remuneration to terminated employees:

Short-term employee benefits	6.484	4.869
Post-employment benefits	0	0
Termination benefits	0	0
Share-based payment	2.887	2.198
Total	9.371	7.067

7. Share-based payment

Warrants has been granted to members of the executive management, members of the board of directors, employees and external consultants.

Warrant plan #7

On December 18, 2020 an equity-settled stock option plan was approved at an extraordinary general meeting, which provides an employee and a member of the executive management of the Group with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 until September 1, 2022 respectively October 1, 2023 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including September 30, 2032 respectively October 31, 2033.

Warrant plan #6

On October 18, 2019 an equity-settled stock option plan was approved at an extraordinary general meeting, which provides board of directors and members of the executive management of the Group with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 until September 1, 2022 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including September 30, 2032.

Warrant plan #5

On February 24, 2017 an equity-settled stock option plan was approved at an extraordinary general meeting, which provides board of directors and members of the executive management of the Group with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with either immediately vesting upon granting, or with a monthly vesting of 1/36 until July 1, 2019 provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including July 1, 2021.

Warrant plan #4

On February 18, 2016, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with a monthly vesting of 1/36 from July 1, 2016 until July 1, 2019, provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including July 1, 2021.

7. Share-based payment - continued -

Warrant plan #3

On December 17, 2014, the Board of Directors approved an equity-settled stock option plan, which provides key management personnel and with the option to purchase ordinary shares of Allarity Therapeutics A/S at a fixed price. Warrants was granted with 50% immediately vesting upon granting, 25% vesting on December 17, 2015 and 25% vesting on July 3, 2016, provided they remain within the Group's employment. Vested warrants are exercisable over a fixed period of time from grant date up to and including July 1, 2021.

All warrant plans

During 2020, the total charge to profit or loss amounted to DKK 3,687k (2019: DKK 2,275k) of which DKK 3,687k (2019: 2,210k) are recognized as staff expenses, and DKK 0k (2019: DKK 65k) are recognized as other external expenses.

The table below summarizes the number of options that were outstanding, their weighted average exercise price (WAEP) as at December 31, as well as the movements during the period.

	2020		2019	
	Number	WAEP in DKK	Number	WAEP in DKK
Outstanding at January 1	8,717,239	1.20	3,309,040	0.52
Granted	3,389,550	1.35	5,638,199	1.57
Forfeited	-1,350,818	1.63	0	-
Exercised	0	-	-230,000	0.52
Expired	0	-	0	-
Outstanding at December 31	10,775,971	1.22	8,717,239	1.20
Exercisable at December 31	6,008,140	1,07	3,548,890	0.66

No warrants were exercised in 2020. (The weighted average share price at the date of exercise of exercised warrants in 2019 was DKK 2.39). The weighted average remaining contractual life for the warrants outstanding as at December 31, 2020 was 7.8 years (December 31, 2019: 4.7 years).

The exercise prices for warrants outstanding at the end of the 2020 is DKK 0.52 - 1.79 (2019: DKK 0.52 – 1.57).

The weighted average fair value of warrants granted in 2020 was DKK 0.75 (2019: DKK 1.34).

7. Share-based payment - continued -

The estimate of the grant date fair value of each warrant issued is based on a Black Scholes model. Inputs to the model included the following:

	Plan #7
Grant date	18/12/2020
Weighted average share price in DKK	0.82
Exercise price in DKK	1.04 - 1.79
Historical and expected volatility	109.24%
Option life (months)	120 - 154
Expected dividends	0
Risk-free interest rate	-0.41%

Expected volatility was determined taking into consideration the volatility of the company's share price over a 12-month period prior to each award date.

Amounts in DKK '000	2020	2019
8. Financial income		
Interest income on assets measured at amortized cost	0	48
Exchange rate gains, net	2.007	3.229
Change in fair value of other investments	5.119	0
Other	422	4
Total	7.548	3.281

9. Financial expenses		
Interest expenses on liabilities measured at amortized cost	484	26.569
Exchange rate loss, net	2.263	3.518
Convertible loan, costs	2.876	0
Other	993	16
Total	6.616	30.103

Amounts in DKK '000	2020	2019

10. Tax

Tax on profit/loss for the year:

Current tax	196	327
Change in deferred tax	-4.842	-30.768
Adjustment of tax concerning previous years	20	-3.481
Adjustment of deferred tax concerning previous years	-1.253	2.630
Tax received under the tax credit scheme	-5.500	-5.500
Tax on profit/loss for the year	-11.379	-36.792

Reconciliation of effective tax rate:

Tax computed on the loss before tax at a tax rate of 22.0%	-12.999	-38.483
Effect of different tax rate in subsidiaries	25	67
Tax value of non-deductible expenses, share-based payments	811	501
Tax value of non-deductible expenses, other	637	16
Tax deduction on exercise of employee warrants	0	-56
Special tax deduction on research and development expenses	-2.113	-116
Other adjustments	758	670
Adjustment of tax concerning previous years	20	-3.481
Adjustment of deferred tax concerning previous years	-1.253	2.629
Non-recognised tax asset	2.735	1.461
Effective tax rate (19.3% / 21.0%)	-11.379	-36.792

Amounts in DKK '000	31/12/2020	31/12/2019

Deferred tax is made up as follows:

Property, plant and equipment	130	110
Intangible assets	-27.878	-28.448
Prepayments	-783	0
Tax losses carried forward	34.724	24.889
Total deferred tax	6.193	-3.449
Write down to assessed value	-6.193	-2.647
Carrying amount	0	-6.096

Amounts in DKK '000	2020	2019

10. Tax - continued -

which is distributed as follows:

Deferred tax assets	0	0
Deferred tax liabilities	0	6,096
Total	0	6,096

Tax losses carried forward can be carried forward indefinitely.
Deferred tax has been provided at 22% corresponding to the current tax rate.

11. Earnings per share

Earnings per share (basic)

Profit/loss for the year attributable to the owners of the parent company, DKK '000	-47.608	-131.955
Average number of shares in circulation	163.238.991	63.407.230
Earnings per share, DKK	-0,29	-2,08

Diluted earnings per share

Diluted average number of shares in circulation	163.238.991	63.407.230
Diluted earnings per share, DKK	-0,29	-2,08

No dilution where the warrants are anti-dilutive.

Instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented	9.484.134	4.387.223

Amounts in DKK '000	Plant and machinery	Right-of-use asset	Total
12. Property, plant and equipment			
Cost as at 01/01/2020	2,185	3,341	5,526
Additions during the year	19	0	19
Disposals during the year	0	0	0
Cost as at 31/12/2020	2,204	3,341	5,545
Depreciation and impairment losses as at 01/01/2020	1,941	668	2,609
Impairment losses during the year	0	0	0
Depreciation during the year	134	668	802
Reversal of depreciation of and impairment losses on disposed assets	0	0	0
Depreciation and impairment losses as at 31/12/2020	2,075	1,336	3,411
Carrying amount as at 31/12/2020	**129**	**2,005**	**2,134**
Cost as at 01/01/2019	2,129	0	2,129
Adoption of IFRS 16	0	3,341	3,341
Additions during the year	56	0	56
Disposals during the year	0	0	0
Cost as at 31/12/2019	2,185	3,341	5,526
Depreciation and impairment losses as at 01/01/2019	1,766	0	1,766
Impairment losses during the year	0	0	0
Depreciation during the year	175	668	843
Reversal of depreciation of and impairment losses on disposed assets	0	0	0
Depreciation and impairment losses as at 31/12/2019	1,941	668	2,609
Carrying amount as at 31/12/2019	**244**	**2,673**	**2,917**

Amounts in DKK '000	Acquired patents	Develop-ment projects in progress	Total
13. Intangible assets			
Cost as at 01/01/2020	1,324	235,521	236,845
Additions during the year	0	0	0
Disposals during the year	0	0	0
Cost as at 31/12/2020	1,324	235,521	236,845
Amortisation and impairment losses as at 01/01/2020	369	80,498	80,867
Impairment losses during the year	0	0	0
Amortisation during the year	258	0	258
Reversal of amortisation of and impairment losses on disposed assets	0	0	0
Amortisation and impairment losses as at 31/12/2020	627	80,498	81,125
Carrying amount as at 31/12/2020	**697**	**155,023**	**155,720**
Cost as at 01/01/2019	1,324	235,521	236,845
Additions during the year	0	0	0
Disposals during the year	0	0	0
Cost as at 31/12/2019	1,324	235,521	236,845
Amortisation and impairment losses as at 01/01/2019	112	0	112
Impairment losses during the year	0	80,498	80,498
Amortisation during the year	257	0	257
Reversal of amortisation of and impairment losses on disposed assets	0	0	0
Amortisation and impairment losses as at 31/12/2019	369	80,498	80,867
Carrying amount as at 31/12/2019	**955**	**155,023**	**155,978**

13. Intangible assets - continued -

Amounts in DKK '000	31/12/2020	31/12/2019
Individually material development projects in progress		
LiPlaCis	58,851	58,851
2X-111	0	0
2X-121	40,863	40,863
Dovitinib	55,309	55,309
Irofulven	0	0
Total	155,023	155,023

Remaining amortization period
All abovementioned intangible assets are development projects in progress.

Impairment
Refer to note 2

Expensed research and development costs
Research and development costs that are not eligible for capitalization have been expensed in 2020 with DKK 37,845k (2019: DKK 43,118k) recognized in other external expenses and staff expenses.

Amounts in DKK '000	31/12/2020	31/12/2019
14. Trade receivables		
Gross receivable	0	637
Provision for losses	0	0
Total	0	637
Due receivables not written down:		
Overdue, less than 30 days	0	0
Overdue, more than 30 days	0	0
Total	0	0

There is no material difference between the fair value of receivables and their carrying amount.

15. Equity

Share capital

On December 31, 2020 the share capital consists of 212,601,044 shares of DKK 0.05 each (December 31, 2019: 121,336,079 shares of DKK 0.05 each). The shares are fully paid in. The shares are not divided into classes, and no shares enjoy special rights.

Information relating to the share-based payments Plan, including details of warrants issued, exercised and lapsed during the financial year and warrants outstanding at the end of the reporting period, is set out in note 7.

Shares issued and fully paid

	2020	2019
Shares issued at 01/01	121,336,079	50,311,278
Cash capital increase on 24/02/2020	9,330,000	
Capital increase, debt conversion on 17/04/2020	925,925	
Capital increase, debt conversion on 06/05/2020	1,952,475	
Capital increase, acquisition of NCI on 08/06/2020	25,936,599	
Capital increase, debt conversion on 08/06/2020	751,879	
Capital increase, debt conversion on 10/06/2020	2,255,639	
Cash capital increase on 17/06/2020	5,177,584	
Capital increase, debt conversion on 29/06/2020	1,574,803	
Capital increase, acquisition of NCI on 13/07/2020	12,383,770	
Capital increase, debt conversion on 14/07/2020	2,255,639	
Capital increase, debt conversion on 11/08/2020	1,893,939	
Cash capital increase on 18/08/2020	5,980,020	
Cash capital increase on 24/08/2020	1,539,742	
Cash capital increase on 02/10/2020	5,370,617	
Capital increase, debt conversion on 01/12/2020	892,857	
Capital increase, debt conversion on 15/12/2020	1,449,275	
Capital increase, debt conversion on 18/12/2020	11,594,202	
Cash capital increase on 29/05/2019		15,288,721
Capital increase, debt conversion on 29/05/2019		4,877,500
Exercise of warrants on 09/10/2019		230,000
Cash capital increase on 23/12/2019		32,902,170
Capital increase, debt conversion on 23/12/2019		17,726,410
Shares issued at 31/12	212,601,044	121,336,079

Capital management

The group aims to ensure structural and financial flexibility as well as competitive strength. For that purpose, the group regularly assesses what the appropriate capital structure for the group is.

Dividend

It is proposed that no dividend are paid.

Amounts in DKK '000	2020	2019
16. Adjustment for non-cash items		
Depreciation, amortization and impairment losses	1,059	81,600
Share-based payment expenses	3,687	2,275
Other	23	0
Total	4,769	83,875

17. Change in working capital		
Change in trade receivables	637	-637
Change in other receivables	3.578	-1.589
Change in prepayments	-1.265	1.397
Change in trade payables	-1.720	1.881
Change in other payables	-1.373	8.968
Change in deferred income	0	-304
Total	-143	9.716

18. Financial risks and financial instruments

Risk management policy

The group's financial risks are managed by the Executive Board. The group has not prepared policies for the identification and handling of risks. The management of the group's risks is included in the Executive Board's day-to-day monitoring of the group.

Interest rate risk

The group is not subject to material interest rate risks.

Currency risk

The group is not subject to material currency risks.

Credit risk

The maximum credit risk relating to receivables corresponds to the carrying amount. Information about trade receivables due appears from note 14. The group is not subject to material credit risks.

18. Financial risks and financial instruments - continued -

Liquidity risk

The group's liquidity risk covers the risk that the group is not able to meet its liabilities as they fall due. As a development group, Allarity Therapeutics over the years have shown negative cash flow why the group is dependent on being recapitalized until reaching the point where a positive cash flow begins.

The Board of Directors and Management are constantly monitoring Allarity Therapeutics's financial position to be prepared to take adequate measures to secure the group. Several options are possible such as partnering deals, service agreements and increase the capital in the company, please refer to note 0 on Going Concern, that describes the current options.

The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

Amounts in DKK '000	Within 1 year	1 - 2 year(s)	2 - 5 years	Over 5 years	Total
As at 31/12/2020					
Bank debt	507	0	0	0	507
Lease liabilities	856	1.790	0	0	2.646
Trade payables	12.817	0	0	0	12.817
Other payables	11.150	0	0	0	11.150
Total	24.823	1.790	0	0	27.120
As at 31/12/2019					
Loan	3.985	0	0	0	3.985
Lease liabilities	831	856	1.790	0	3.477
Trade payables	14.537	0	0	0	14.537
Other payables	12.523	0	0	0	12.523
Total	31.876	856	1.790	0	34.522

Convertible loans that will be settled in the entity's own equity instruments are not included in the maturity analysis. Convertible loans are denominated in SEK with a maturity of maximum 12 months.

19. Fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at December 31, 2020.

Amounts in DKK '000	Date of valuation	TOTAL	*Level 1* Quoted prices in active markets	*Level 2* Significant observable inputs	*Level 3* Significant unobserv-able inputs
Assets measured at fair value					
Other investment	31/12/2020	5,119	5,119		

There were no assets nor liabilities measured at fair value as at December 31, 2019.

There were no transfers between Level 1 and Level 2 during 2019.

20. Related parties

Ownership

No party exercises control of Allarity Therapeutics A/S

Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period.

Amounts in DKK '000		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities with significant influence:					
Acquisition of NCI	2020		3,509		0
Other related parties:					
Services provided	2020		1,022		0
	2019		2,327		0

20. Related parties – continued -

Acquisition of NCI

On July 13, 2020 the group acquired remaining ownership (16 %) in Oncology Venture US Inc. Payment was made by conversion into shares in Allarity Therapeutics A/S. Among existing shareholders was Sass & Larsen ApS, an entity with significant influence over the parent company.

Transactions with key management personnel

Remuneration for the management is disclosed in note 6.

21. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Principal place of business	31/12/2020	31/12/2019
OV US Inc	USA	0.00%	16.06%
OV-SPV2 ApS	Denmark	0.00%	37.00%

Amounts in DKK '000	31/12/2020	31/12/2019
Accumulated balances of material non-controlling interest:		
OV US Inc.	0	3,567
OV-SPV2 ApS	0	13,903
Profit allocated to material non-controlling interest:		
OV US Inc.	-206	-5,662
OV-SPV2 ApS	108	-515
Dividends paid to non-controlling interests		
2X Oncology Inc.	0	0
OV-SPV2 ApS	0	0

22. Contingent liabilities

Goodwill, fixtures and equipment, claims and inventory have been placed as security with one of the Group's credit institutes, up to a maximum amount of DKK 500k. Debt to the credit institute at December 31, 2020 amounts to DKK 507 (2019: DKK 0).

If Smerud Medical Research International is not able to identify investors to fund development of in licensed products from the company by October 1, 2021 the company will be liable for development cost of approximately DKK 2.000K.

23. Events occurring after the balance sheet date

On March 23, 2021, the company announced plans for a fully guaranteed rights issue of approximately SEK 100 million.

24. Adoption of the annual report for publication

At the board meeting on March 31, 2021, the Board of Directors adopted this annual report for publication. The annual report will be presented to Allarity Therapeutics A/S's shareholders for approval at the annual general meeting on April 15, 2021.

25. New accounting regulation

IASB has published a number of new and changed accounting standards and interpretations, which are not mandatory for the preparation of the consolidated financial statements for 2021. These standards and interpretations are not expected to have any significant impact on the group.

Parent company income statement

Note	Amounts in DKK '000	2020	2019
	Revenue	**0**	**3.718**
	Other operating income	-2.100	2.100
	Other external expenses	-26.972	-16.900
2	Staff expenses	-5.609	-13.270
	Profit/loss before depreciation, amortization and impairment (EBITDA)	**-34.681**	**-24.352**
	Amortisation and depreciation	-459	-676
5	Impairment losses	-12.681	-233.875
	Operating profit/loss before net financials	**-47.821**	**-258.903**
3	Financial income	7.856	3.992
4	Financial expenses	-6.041	-30.541
	Profit/loss before tax	**-46.006**	**-285.452**
	Tax on profit/loss	2.995	3.037
	Net profit/loss	**-43.011**	**-282.415**
	Net profit/loss attributable to:		
	Proposed dividend for the year	0	0
	Retained earnings	-43.011	-282.415
	Total	**-43.011**	**-282.415**

Parent company balance sheet

ASSETS

Note	Amounts in DKK '000	31/12/2020	31/12/2019
	Acquired patents	87	336
	Development projects in progress	1.045	1.228
	Intangible assets	**1.132**	**1.564**
	Plant and machinery	62	71
	Property, plant and equipment	**62**	**71**
5	Investment in subsidiaries	43.286	3.978
	Other investments	5.119	0
	Receivables from subsidiaries	0	163
	Financial assets	**48.405**	**4.141**
	Total fixed assets	**49.599**	**5.776**
	Receivables from subsidiaries	738	0
	Trade receivables	0	637
	Income tax receivable	2.907	2.170
	Other receivables	905	3.390
	Prepayments	4.863	201
	Cash and cash equivalents	1.583	4.548
	Total current assets	**10.996**	**10.946**
	Total assets	**60.595**	**16.722**

EQUITY AND LIABILITIES

Note	Amounts in DKK '000	31/12/2020	31/12/2019
	Share capital	10.630	6.067
	Share premium	388.236	310.527
	Retained earnings	-361.355	-318.344
	Translation reserve	-13	0
	Total equity	**37.498**	**-1.750**
	Payables to subsidiaries	3.465	2.658
	Bank debt	507	0
	Convertible loan	9.246	0
	Loan	0	3.578
	Trade payables	7.148	6.013
	Income tax payable	61	286
	Other payables	2.670	5.937
	Current liabilities	**23.097**	**18.472**
	Total liabilities	**23.097**	**18.472**
	Total equity and liabilities	**60.595**	**16.722**

6 Contingent assets, liabilities and other financial obligations

Parent company statement of changes in equity

Amounts in DKK '000	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
Equity as at 01/01/2020	6.067	310.527	0	-318.344	-1.750
Cash capital increases	1.370	25.498			26.868
Capital increases, debt conversions	1.277	18.061			19.338
Capital increase, acquisition of NCI in OV SPV2 ApS	1.297	24.510			25.807
Capital increase, acquisition of NCI in OV US Inc	619	12.881			13.500
Costs of capital increases		-3.241			-3.241
Foreign currency translation			-13		-13
Profit/loss				-43.011	-43.011
Equity as at 31/12/2020	**10.630**	**388.236**	**-13**	**-361.355**	**37.498**
Equity as at 01/01/2019	2.516	213.554		-35.929	180.141
Cash capital increase in May	764	43.114			43.878
Capital increase, debt conversion in May	244	13.267			13.511
Cash capital increase in December	1.645	45.477			47.122
Capital increase, debt conversion in December	887	24.543			25.430
Costs of capital increase		-29.536			-29.536
Cash capital increase, exercise of warrants	11	108			119
Loss for the year				-282.415	-282.415
Equity as at 31/12/2019	**6.067**	**310.527**		**-318.344**	**-1.750**

1. Capital resources and liquidity

Please, refer to note 0 of the consolidated financial statements.

Amounts in DKK '000	2020	2019
2. Staff expenses		
Wages and salaries	5.444	13.145
Pensions	121	81
Other social security costs	44	44
Total	5.609	13.270
Average number of employees during the year	6	8
3. Financial income		
Interest income, group receivable	986	982
Exchange rate gains, net	1.329	3.010
Change in fair value of other investments	5.119	0
Other	422	0
Total	7.856	3.992
4. Financial expenses		
Interest expenses on liabilities measured at amortized cost	85	26.084
Exchange rate loss, net	2.104	4.454
Convertible loan, costs	2.876	0
Other	976	3
Total	6.041	30.541

Amounts in DKK '000	2020	2019
5. Investment in subsidiaries		
Cost as at 01/01	82,835	82,835
Additions	39,308	0
Cost as at 31/12	122,143	82,835
Value adjustments as at 01/01	-78,857	0
Impairment	0	-78,857
Value adjustments as at 31/12	-78,857	-78,857
Carrying amount as at 31/12	**43,286**	**3,978**

In 2020 the company has recognized an impairment loss on investment in subsidiaries of t.DKK 0 (2019: t.DKK 78,857) and an impairment loss on receivables from subsidiaries of t.DKK 12,681 (2019: t.DKK 155,018), a total of t.DKK 12,681 (2019: t.DKK 233,875).

Amounts in DKK '000	31/12/2020	31/12/2019
6. Contingent assets, liabilities and other financial obligations		
Rental lease obligations		
Rental obligations under operating leases, total future payments		
Within 1 year	700	192
1-5 year(s)	687	0
After 5 years	0	0
Total	1,387	192

Allarity Therapeutics A/S has issued a letter of subordination in favor of Oncology Venture Product Development ApS , OV-SPV2 ApS, Oncology Venture US Inc. and Medical Prognosis Institute Inc's other creditors, applying until December 31, 2021. All Companies are subsidiaries of Allarity Therapeutics A/S.

If Smerud Medical Research International is not able to identihhfy investors to fund development of in licensed products from the company by October 1, 2021 the company will be liable for development cost of approximately DKK 2,000K.

Goodwill, fixtures and equipment, claims and inventory have been placed as security with one of the Group's credit institutes, up to a maximum amount of DKK 500k. Debt to the credit institute at December 31, 2020 amounts to DKK 507k (2019: DKK 0).

7. Accounting policies

Basis of Preparation

The Annual Report of Allarity Therapeutics A/S for 2020 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.

Financial Statements for 2020 are presented in DKK.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 1716 amending the Danish Financial Statements Act of 27 December 2018 (lov nr. 1716 om ændring af årsregnskabsloven m.v. af 27. december 2018). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. recognition, measurement and classification. Amendments to provisions on recognition, measurement and classification are as follows:

Foreign currency translation reserve
In future, unrealized foreign currency gains and losses from the translation of the net investment in independent foreign entities must be recognized in equity under the foreign currency translation reserve rather than under retained earnings. The reserve is distributable. The reserve is dissolved when the independent foreign entities are disposed of. In accordance with section 6(2) of act no. 1716 amending the Danish Financial Statements Act of December 27, 2018, foreign currency translation adjustments are recognized prospectively under the reserve, with initial recognition in the balance sheet as from 01.01.20. The change in accounting policy has no impact on the net profit/loss for the year, balance sheet total or equity.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciations, write-downs, provisions and reversals as a result of changes in accounting estimates which has been recognized in the income statement in prior financial statements.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

7. Accounting policies - continued -

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognized in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

7. Accounting policies - continued -

Tax

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Grants

Grants are recognized when the conditions for receipt are met and there is reasonable assurance that the grant will be received.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

7. Accounting policies - continued -

INCOME STATEMENT

Revenue

Revenue comprises the fair value of the consideration received or receivable for services. Revenue from services are recognized over time in line with the execution and delivery of the work. The revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably and when any significant risks and rewards right to the services are transferred and the Group no longer retains managerial responsibility for services sold.

Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts.

Other operating income

Other external income comprises income of a secondary nature in relation to the group's activities, including grants and license income. Income from licenses that do not transfer the right of ownership to an intangible asset are recognized over time in accordance with the substance of the agreements.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as social security expenses, pensions for group staff and other staff-related expenses.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

Dividends from subsidiaries and associates are recognized as income in the income statement when adopted at the General Meeting of the companies. However, dividends relating to earnings in the companies before they were acquired by the Parent Company are set off against the cost of the companies.

7. Accounting policies - continued -

Net financials

Net financials comprise interest income and expenses, realized and unrealized gains and losses on transactions in foreign currency and realized and unrealized gains and losses on other financial assets.

Amortization of capital losses and borrowing costs relating to financial liabilities is recognized on an ongoing basis as part of the interest expenses.

BALANCE SHEET

Intangible assets

Acquired patents

Patents are measured at the lower of cost less accumulated amortization and recoverable amount. Patents are amortized over the remaining patent period.

Development projects

Development projects are recognized in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognized in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method based on the following expected useful lives and no residual values:

Development projects	10 years
Acquired patents	5 years

Amortization period and residual value are reassessed annually.

7. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3 - 5 years

Depreciation period and residual value are reassessed annually.

Fixed asset investments

Equity investments in subsidiaries

Equity investments in subsidiaries are measured in the balance sheet at cost less any impairment losses.

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, the asset is written down to its lower recoverable amount.

7. Accounting policies - continued -

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

Direct and incremental costs associated with capital increases are accounted for as a reduction in the proceeds from the capital increase and recognized in shareholders' equity.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Financial debts

Loans, such as loans from credit institutions, are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortized cost; the difference between the proceeds and the nominal value is recognized as an interest expense in the income statement over the loan period.

Other debts are measured at amortized cost, substantially corresponding to nominal value.

Convertible loan

Convertible loan facility has been separated into liability and equity components based on the terms of the contract. On issuance of the convertible loan facility, the fair value of the liability component, is determined using a market rate for an equivalent non-convertible instrument.

The transaction costs are allocated to each component of the loan.

Abbreviations

Terminology and abbreviations	Definition
DRP®	"Drug Response Predictor," OV's biomarker technology to predict which patients will respond to a given cancer drug
Indication	Here a cancer type or cancer disease
Response Prediction	Predicting the effect of a cancer drug. Effect can be measured in a variety of ways for example is the cancer tumor shrinking (response), - how long does it take before the cancer disease progresses (progression free survival) or the most important parameter, - how long the patient survives (survival)