

**Annual financial statements 2020
for
Biosergen Group**

Organization number 987 622 075

Income statement

	Note	2020	2019
OPERATING REVENUE AND EXPENCES			
Operating revenue			
Other operating income	2	1 524 178	1 231 999
Total operating revenue		1 524 178	1 231 999
Operating expenses			
Other operating expenses	1,2,3,4	7 767 768	6 065 358
Total operating expenses		7 767 768	6 065 358
OPERATING PROFIT OR LOSS		(6 243 590)	(4 833 359)
FINANCIAL INCOME AND EXPENSES			
Financial income			
Other interests		12 965	31 158
Other financial income	5	167 804	221 642
Total financial income		180 769	252 800
Financial expenses			
Other interests		509 183	71 047
Other financial expense	5	314 105	391 467
Total financial expenses		823 288	462 514
NET FINANCIAL INCOME AND EXPENCES		(642 519)	(209 714)
ORDINARY RESULT BEFORE TAXES		(6 886 108)	(5 043 073)
Tax on ordinary result	6,7	0	0
ORDINARY RESULT		(6 886 108)	(5 043 073)
TO MAJORITY INTERESTS		(6 886 108)	(5 043 073)
APPLICATION AND ALLOC.			
Uncovered loss	8	(6 886 108)	(5 043 073)
TOTAL APPLICATION AND ALLOCATION		(6 886 108)	(5 043 073)

Balance sheet pr. 31.12.2020

	Note	31.12.2020	31.12.2019
ASSETS			
CURRENT ASSETS			
Receivables			
Trade receivables		9	9
Other short-term receivables	2,12	4 393 926	1 379 660
Total receivables		4 393 935	1 379 669
Bank deposits, cash in hand, etc.	10	617 148	4 889 585
TOTAL CURRENT ASSETS		5 011 083	6 269 254
TOTAL ASSETS		5 011 083	6 269 254
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	8,9,11	2 504 173	2 504 173
Share premium reserve	8,9	25 003 069	25 003 069
Total paid-in equity		27 507 242	27 507 242
Retained earnings			
Uncovered loss	8,9	(38 965 061)	(31 911 328)
Total retained earnings		(38 965 061)	(31 911 328)
TOTAL EQUITY		(11 457 818)	(4 404 086)
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		5 361 060	4 476 053
Other currents liabilities	13	11 107 841	6 197 287
TOTAL CURRENT LIABILITIES		16 468 901	10 673 340
TOTAL LIABILITIES		16 468 901	10 673 340
TOTAL EQUITY AND LIABILITIES		5 011 083	6 269 254

København,

Torsten Rüdiger Goesch
Chairman

Peder Møller Andersen
CEO/Board member

Notes 2020

Accounting principles:

The financial statements are prepared in accordance with Accounting Act and generally accepted accounting principles. The company has followed the relevant provisions of the Norwegian Accounting Standard issued by the Norwegian Accounting Standards Board.

The accounting principles that are stated in the Accounting Act, ch. 4 on basic principles and generally accepted accounting principles and Ch. 5 on valuation rules may not be reproduced in this introductory note on accounting policies in the absence of conditions at the item or principles and valuations rules that require clarification (option is exercised etc.).

Exception rules in accounting for small enterprises are applied unless otherwise specified in particular.

Consolidated principles:

The consolidated financial statements include the parent company and the subsidiary company, and show these units as a common financial unit. Intra-group items such as shares in the subsidiaries, intra-group receivables and liabilities, as well as other transactions between the group companies have been eliminated. The consolidated financial statements have been prepared in accordance with uniform principles in that the subsidiaries follow the same principles as the parent company.

Clarifications regarding accounting principles:

Classification of balance sheet items

Receivables are classified as current assets if they are to be repaid within one year. For debt the same criteria are used to distinguish between long-term and short-term debt.

Receivables

Accounts receivable and other receivables are entered in the balance sheet at face value after deduction of provisions for foreseeable losses. Provisions for foreseeable losses are made on the basis of an individual assessment of the individual receivables. In addition, an unspecified provision is made for other trade receivables to cover estimated losses.

Other receivables are also subject to a similar assessment.

Operating revenues

The company's operating income applies to public grant from the Research Council of Norway. The income is accrued as the project costs are expensed in the accounts.

Currency

Purchases in foreign currency are booked at the exchange rate on the invoice date. Open balance sheet items in foreign currency are valued according to the exchange rate at the end of the financial year. Currency gains are presented as other financial income, while currency losses are presented as other financial expenses in the accounts.

Notes 2020

Tax

The tax expense in the income statement includes the tax payable for the period, which is settled and due for payment in the next financial year in addition to the change in deferred tax. Deferred tax is calculated at the tax rate at the end of the financial year (22%) on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values. The calculation also includes a tax loss carry-forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period are offset and netted. Deferred tax assets are not recorded in accordance with the exemption rules in the Accounting Act for small enterprises.

Research and development

Expenses for research and development are expensed

Note 1 - Salary costs

Remuneration of general manager and board fees

The company has had 1 employee during 2020.

General manager

Remuneration of general manager amount to Nok 1 388 208,- for 2020 and Nok 1 423 285,- for 2019. The amounts are exclusive VAT.

CEO is hired from PMA Consulting ApS in both Biosergen AS and Select Pharma Pty Ltd.

Board fees

No board fees have been paid in 2019 or in 2020.

Audit

Audit fees were expensed in 2020 of Nok 132 000,- and Nok 100 414,- for 2019. The amounts are exclusive VAT.

Notes 2020

Note 2 - Public grants

During 2020, the parent company recognized income related to the BIA project from the Research Council of Norway with a total of Nok 751 550,-.

For 2019 this amounts to Nok 1 232 000,-.

In addition, the parent company received approval for a new project at the Norwegian Research Council, Nanoformulated anti-fungals, where NOK 772 628,- was recognized as income in 2020.

The parent company has also one ongoing SkatteFunn project, where the tax deduction for the scheme is considered a public subsidy and is treated in the accounts as a claim against the Research Council of Norway with Nok 1 475 160,-.

For 2019 Skattefunn amounts to Nok 688 000,-.

The subsidiary, Select Pharma Pty Ltd, have recognized Australian Research and development tax incentive with Nok 1 503 739,- in 2020. The tax deduction for the scheme is considered a public subsidy and is treated in the accounts as a claim against the Australian tax authorities.

Both the Norwegian SkatteFunn and the Australian tax incentive is listed in the accounts as a reduction of costs.

The subsidies are not taxable.

	2020	2020	2019	2019
	R&D costs	SkatteFunn/Tax incentive	R&D costs	SkatteFunn/Tax incentive
Biosergen AS	7 764 000	1 475 160		
Select Pharma PTY Ltd	3 482 626	1 514 942	3 440 000	688 000
Total R&D cost	11 246 626	2 990 102	-	-
			3 440 000	688 000
Currency rate AUD 31.12.20	6,5868			

Note 3 - Costs for R&D

The company's costs for R&D are expensed on an ongoing basis as they accrue. The group is entirely engaged in research and development. Expected total earnings from ongoing R&D correspond to incurred total expenses.

Notes 2020

Note 4 - Other operating expenses

The item consists of expenses for research and development for the whole group with Nok 11 246 626,- for 2020 and Nok 3 440 000,- for 2019.

Note 5 - Other financial income and other financial expenses

Currency gain amounts to Nok 167 804,- og currency loss amounts to Nok 314 105,- for 2020.

Currency gain amounts to Nok 221 642,- og currency loss amounts to Nok 391 467,- for 2019.

Note 6 - Taxes on ordinary result

2020:

Specification of this year`s tax base:

Result before tax costs	-6 886 105
+ Permanent and other differences	-4 518 845
+ Change in temporary differences	-23 314
= Income	-11 428 264

Specification of this year`s tax expense:

Estimated tax on profit for the year	0
= Total tax payable	0
+/- Change in deferred tax/deferred tax asset	0
= Ordinary tax expense	0
Tax rate in the income year	22

Tax payable in the balance sheet consists of:

Total tax payable	0
= Tax payable in the balance sheet	0

Notes 2020

2019:

Specification of last year`s tax base:

Result before tax costs	-5 043 073
+ Permanent and other differences	-1 921 906
+ Change in temporary differences	-4 635
= Income	-6 969 614

Specification of last year`s tax expense:

Estimated tax on profit for the year	0
= Total tax payable	0
+/- Change in deferred tax/deferred tax asset	0
= Ordinary tax expense	0
Tax rate in the income year	22

Tax payable in the balance sheet consists of:

Total tax payable Tax payable in the balance sheet	0	
Tax payable in the balance sheet		0

Note 7 - Deferred tax/deferred tax asset

	2020	2019
+ Outstanding receivables	-803 105	-826 419
- Tax loss carry-forward that is offset	95 649 824	84 221 560
= Basis deferred tax	-96 452 929	-85 047 979
Deferred tax	0	0
Negative basis deferred tax	96 452 929	85 047 979
= Basis deferred tax assets	96 452 929	85 047 979
Deffered tax assets	21 219 644	18 710 555
Basis not booked deferred tax asset	96 452 929	85 047 977
Deferred tax asset not booked	21 219 644	18 710 555
Booked deferred tax asset	0	0

Notes 2020**Note 8 - Reconciliation of equity**

Reconciliation of the group's equity

Equity 1.1	-	4 406 285
Currency adjustment		2 199
Equity 1.1	-	4 404 086
Result for the year 2020	-	6 886 108
Currency adjustment	-	167 624
Equity 31.12	-	11 457 818

As a development company, and like other similar companies, Biosergen Group has shown negative cash flow over the years, why the Company is dependent on financing until reaching the point where a positive cash flow begins. Management is constantly monitoring the Company's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company.

Biosergen Group has convertible loans from Østersjøstiftelsen of Nok 10.565.479,- per 31.12.20, and Nok 5 066 849,- per 31.12.19. Loan from Fred Management ApS is listed with Nok 365.681,- per 31.12.20 and Nok 333 196,- per 31.12.19.

In February 2021, Nok 8.999.994,- of the loan from Østersjøstiftelsen will be converted into equity, and this must be seen in connection with the negative equity at the end of the year. During 2020 GMP material for the BSG005 project have been produced and is ready to be shipped to Australia for the planned Phase I testing early Q3 2021.

The board assumes going concern exists at the presentation of the annual accounts.

Notes 2020

Note 9 - Events after the balance sheet date

The board together with an investment advisory group, is planning to register a new company in Sweden. This new company will be the parent company to Biosergen AS and will be introduced on Nasdaq First North Growth Market in Stockholm during Q2 2021. The aim is through an IPO of the parent company to raise capital to the BSG005 project to have it funded through 2023.

Note 10 - Bank deposits

The item bank deposits include restricted tax withholding funds of Nok 41,- per 31.12.19 and Nok 41,- per 31.12.20.

Notes 2020

Note 11 - Share capital

Per 31.12.2020 Biosergen Group has 108.877.103 shares with a nominal value of Nok 0,023,-. Total share capital amounts to Nok 2.504.173,-.

The company has only one share class.

The company's shareholders are:

Shareholders name	Numbers of shares	Ownership
Østersjøstiftelsen	44 983 666	41,3%
Rosetta Capital IV Sarl	44 323 098	40,7%
Sintef Venture AS	9 364 145	8,6%
KDev Investments AB	4 506 669	4,1%
Fred Management ApS	5 699 525	5,2%
Total	108 877 103	100,0 %

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Fred Management ApS	5 699 525	5,2%
Total	108 877 103	100,0 %

Notes 2020

Note 12 - Receivables from companies in a group

In the consolidated financial statements, outstanding accounts between Biosergen AS and Select Pharma Pty Ltd have been eliminated.

Per 31.12.2020 this consists of short-term receivables from Biosergen AS / short-term debt with Select Pharma Pty Ltd of Nok 1.245.775,-.

In addition, accounts receivable from Biosergen AS / accounts payable with Select Pharma Pty Ltd with Nok 3.464.266,- have been eliminated.

Per 31.12.2019 this consists of short-term receivables from Biosergen AS / short-term debt with Select Pharma Pty Ltd of Nok 1.163.522,-.

Note 13 - Convertible loans

Biosergen Group has a convertible loan from the shareholder Østersjøstiftelsen of Nok 10 000 000,- per 31.12.2020 and Nok 5 000 000,- per 31.12.2019. Expensed interests is Nok 498 630 in 2020 and Nok 66.849,- for 2019. There is a clause in the agreement which states that Biosergen AS cannot pledge its shares without a further agreement with the lender. In February 2021, Nok 8 999 994,- was converted into equity.

In addition, the company has a convertible loan from shareholder Fred Management ApS of NOK 365 681,- per 31.12.2020. Per 31.12.2019 the loan amounts to Nok 333 196,-. Expensed interests is Nok 10 553,- in 2020 and Nok 9 696,- in 2019 .

Both loans are currency-adjusted as of 31.12.2020 and 31.12.2019.

Notes 2020

Note 14 - Shares and participations in group companies

The subsidiary Zhangjiakou Biosergen Pharma Ltd in China was established on 08.06.2016. Book equity as of 31.12.16 was NOK 7.730.260,- and book loss for 2016 was NOK 883.909,-. No more annual accounts have been submitted, as the activity in the subsidiary has been frozen.

Subsidiary	Business office	Equity stake %	Voting rights %
Zhangjiakou Biosergen Pharma Ltd	Juxin Graden House 5, Erliban Villege, Shalingzi Xuanhua Town, Zhangjiakou City, Hebei Province, China	60 %	60 %
Select Pharma Pty Ltd	C/- Prime Accounting & Business Advisory Pty Ltd Floor 19, HWT Tower, 40 City Road Southbank, VIC. 3006, Australia	100 %	100 %

Statement of cash flows

	Note	2020	2019
Cash flow from operating activities			
Profit before tax		(6 886 108)	(5 043 073)
- Taxes paid		0	0
+/- Change in trade receivables		0	55 001
+/- Change in accounts payable		885 007	(6 777 175)
+/- Change in other accruals		(3 802 451)	9 611 841
= Net cash flow from operating activities		(9 803 552)	(2 153 406)
Cash flow from investing activities			
= Net cash flow from investing activities		0	0
Cash flow from financing activities			
+/- Change in dept to shareholders		5 531 115	5 400 045
= Net cash flow from financing activities		5 531 115	5 400 045
= Net change in cash and cash equivalents		(4 272 437)	3 246 639
+ Cash etc. at 01.01.		4 889 585	1 642 946
= Cash etc. at 31.12.		617 148	4 889 585
Cash etc. appears as follows:			
Cash and bank deposits at 31.12.		617 107	4 889 544
+ Tax withholding deposits at 31.12.		41	41
= Cash etc. at 31.12.		617 148	4 889 585

Statement of equity

<i>NOK</i>	Note	Share- Capital	Premium	Earned equity	Total	Minority- interest	Total equity
Total per 1. January 2019		2 504 173	25 003 069	- 26 870 456	636 786	-	636 786
Result for the period		-	-	5 043 073	5 043 073	-	5 043 073
Transactions							
Capital increase		-	-	-	-	-	-
Currency adjustment		-	-	2 199	2 199	-	2 199
		-	-	2 199	2 199	-	2 199
Total per 31. December 2019		2 504 173	25 003 069	- 31 911 330	4 404 088	-	4 404 088
Resultat for perioden			-	6 886 108	6 886 108	-	6 886 108
Transactions							
Capital increase		-	-	-	-	-	-
Currency adjustment		-	-	-	167 622	-	167 622
		-	-	-	167 622	-	167 622
Total per 31. December 2020		2 504 173	25 003 069	- 38 797 438	11 457 818	-	11 457 818