



ALLARITY THERAPEUTICS A/S

(CVR NO. 28106351)

Supplement to Prospectus for the issue of Units in Allarity Therapeutics A/S

SUPPLEMENT NO. 1, 2021

Date: 27 May 2021

This supplement no. 1 (the "**Supplement**") to the EU Growth Prospectus dated 19 May 2021 (the "**Prospectus**"), which is a supplement for the purposes of Article 23 of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 and the relevant implementation legislation in Denmark, was prepared by Allarity Therapeutics A/S (the "**Company**"). Terms defined in the Prospectus (but not herein) have the same meaning when applied in the Supplement.

PURPOSE OF THE SUPPLEMENT

The Supplement has been prepared as a result of the Company's announcement on 21 May 2021 regarding a U.S. \$ 20 million investment by 3iFund that will close at the time the Company lists on the U.S. Nasdaq Stock Market and delists from the Nasdaq First North Growth Market Sweden.

The following amendments have been made:

The original Prospectus	Amendment
Page 6, SUMMARY, section 2.1 "Who is the issuer of the securities"	The following text is added at the end of section 2.1 "Who is the issuer of the securities (<i>Domicile and legal form</i>)": "On 21 May 2021 the Company entered into a Securities Purchase Agreement with 3i Fund regarding an investment of US \$ 20 million and a recapitalization of the Company with the aim of listing on the U.S. Nasdaq Stock Market through Allarity US Inc., currently a wholly owned subsidiary of the Company. The agreement, the recapitalization and the listing in the USA is subject to shareholder approval."
Sida 11, SAMMANFATTNING, punkten 2.1 "Vem är emittenten av värdepapperen"	Följande text läggs till i slutet av punkten 2.1 "Vem är emittenten av värdepapperen (<i>Säte och bolagsform</i>)": "Bolaget ingick den 21 maj 2021 ett avtal om överlåtelse av värdepapper med 3i Fund avseende en investering motsvarande 20 miljoner dollar och en rekaptalisering av Bolaget i syfte att genom Allarity US Inc., i nuläget ett helägt dotterbolag till Bolaget, noteras på Nasdaq Stock Market i USA. Avtalet, rekaptaliseringen och noteringen i USA kräver godkännande från aktieägarna."

The following text is deleted:

"The Company has not entered into any material contract to which the Company is a party for the year immediately preceding the Prospectus Date, neither has the Company entered into any other contract which contains any provision under which the Company has any obligation or entitlement which is material to the Company other than in the ordinary course of business."

The deleted text is replaced with the following text on page 40 under the heading "Material Agreements":

"Agreement with 3i Fund

On 21 May 2021 the Company announced that it has entered into a definitive Securities Purchase Agreement with 3i Fund (New York, NY U.S.A.) an American fund formed under a single family office umbrella investing in public companies ("3i") for a U.S. \$20 million investment ("Securities Purchase Agreement") to support the Company's recapitalization and reorganization ("Recapitalization") into a U.S. holding company (Allarity Therapeutics, Inc., a Delaware corporation, hereinafter "Allarity US Inc.") and an application for listing on the U.S. Nasdaq Stock Market.

The U.S. \$20 million investment is anticipated to be made directly into Allarity US Inc. and is conditional upon, inter alia, approval by the Company's general meeting, the Reorganization of the Company, including a delisting of the Company's shares on Nasdaq First North and a listing of the shares of Allarity US Inc. on US Nasdaq Stock Market.

Allarity US Inc. will initially be organized as a wholly owned subsidiary of the Company.

Simultaneously with the execution of the Securities Purchase Agreement, the Company has entered into a Plan of Reorganization and Asset Purchase Agreement with Allarity US Inc. to facilitate Allarity US Inc. becoming a U.S. holding company listed on the U.S. Nasdaq Stock Market. As part of the Recapitalization transaction, Allarity US Inc. will, either directly or indirectly through a special purpose wholly owned subsidiary, purchase all of the assets and assume all of the liabilities of the Company in exchange for shares of common stock of Allarity US Inc., which will be listed for trading on the U.S. Nasdaq Stock Market upon completion of the Recapitalization. The sale of assets and liabilities to Allarity US Inc. is taxable and cash taxes will be payable. Therefore, a permission for a tax-exempt contribution will be applied for with the Danish tax authorities. If the Danish tax authorities grants such a permission the transfer will be carried out on a tax neutral basis for Danish tax purposes.

Following the anticipated transfer of the Company's assets and liabilities to Allarity US Inc., the Company will commence a share buy-back program offering the Company's shareholders to sell back their shares in the Company against payment by the Company in common stock of Allarity US Inc. In the event that not all shareholders sell their shares in Company, as proposed in the share buy-back program, the remaining shares in Allarity US Inc. are expected to be distributed to such shareholders as dividends or in connection with a liquidation of the Company or will otherwise be divested.

The Reorganization structure is subject to change.

The share buy-back program and the dividend payment is subject to shareholder approval and is expected to take place during the course of late July into August 2021. The final dates remain subject to change.

Under the Securities Purchase Agreement there is an implied pre-investment value for Allarity US Inc. of US \$80 million and a post-investment implied value of U.S. \$100 million, assuming that the Recapitalization is completed and that Allarity U.S. Inc. is listed on the U.S. Nasdaq Stock Market.

Irrespective of the pre-investment valuation no assurances can be given concerning the future trading price of the shares of common stock of Allarity US Inc. once listed. Moreover, if the shares of Allarity US Inc., once listed on the U.S. Nasdaq Stock Market, trade below US \$100 million, certain market price protection provisions described below would apply that would have the effect of reducing these implied values to values closer to the future market value of Allarity US Inc.

As a result of the Recapitalization transaction, Allarity US Inc. will become the parent holding company or direct holder of all of the assets and liabilities of the Company, and the Company's shareholders that participate, will, as of the completion of the Recapitalization, own the same percentage of Allarity US Inc. as they did in the Company prior to the Recapitalization.

Upon the completion of the Recapitalization, 3i will invest U.S. \$20 million in Allarity US Inc. in exchange for convertible preferred stock in Allarity US Inc. at an initial fixed conversion price that,

if fully converted, would be convertible into a 20% ownership of the Allarity US Inc. shares of common stock over time. 3i's ownership is subject to anti-dilution and market price adjustments upon the occurrence of certain events and an overriding limitation that limits 3i's beneficial ownership of Allarity US Inc. common stock to a maximum of 4.99% at any time. 3i may therefore as a maximum convert into common stock representing 4.99% in connection with each conversion. In order to convert again 3i would have to divest some of its common stock to take 3i below the threshold. The remaining 80% to 95% of the outstanding share capital of Allarity US Inc. will be held by the existing equity holders of the Company as of the date the Recapitalization transaction is completed.

3i will, in addition to the convertible preferred stock in Allarity US Inc., receive warrants to purchase an additional \$20 million of common stock in Allarity US Inc. at the same price as the fixed conversion price of the convertible preferred stock discussed below, subject to anti-dilution and market price adjustments upon the occurrence of certain events. Both the fixed conversion price of the preferred stock into common stock and the exercise price of the warrants could, according to the applicable anti-dilution provisions, be reduced(i) if the trading price of the common stock to be listed on the U.S. Nasdaq Stock Market trades below the fixed conversion price of the preferred stock, (ii) if the average daily trading volume falls below certain levels, or (iii) if Allarity US Inc. issues additional common stock at a price less than the fixed conversion price.

The fixed conversion price will be set on the completion of the Recapitalization by dividing the pre-investment valuation of the holding company of \$80 million by the number of the Company's ordinary shares issued and outstanding immediately before the Recapitalization multiplied by 50 to reflect the exchange ratio in Recapitalization and asset acquisition.

Hence, based on the number of the Company's shares issued and outstanding as of the date of this supplement and assuming no exercise of warrants or other instruments convertible in shares and not taking into account any shares issued in the rights offering as contemplated herein, the shareholders in the Company would receive 4,835,646 shares of common stock in Allarity US Inc. and 3i would be entitled to convert into 1,208,911 shares of common stock in Allarity US Inc. at fixed conversion price of U.S. \$ 16.5437 and an aggregate number of common stock of 6,044,557. Similarly the exercise price for the warrants would be U.S. \$ 16.5437.

Assuming full subscription of the shares offered in the Units Issue and assuming no exercise of warrants or other instruments convertible into shares, the shareholders in the Company would receive 7,253,470 shares of common stock in Allarity US Inc. and 3i would be entitled to convert into 1,813,368 shares of common stock in Allarity US Inc. at fixed conversion price of U.S. \$ 11.0292 corresponding to an aggregate number of common stock of 9,066,838 following conversion in full of preferred stock by 3i. Similarly, the exercise price for the warrants would be U.S. \$ 11.0292.

Both the fixed conversion price for the conversion of the preferred stock and the exercise price of the warrants may be further reduced in the event that the average share price of the common stock on the U.S. Nasdaq Stock Market falls below the fixed conversion price or the average daily trading volume falls below certain thresholds, which could result in an adjusted conversion price for the preferred stock and exercise price for the warrants of between 80% to 90% of the volume weighted average share price on the U.S. Nasdaq Stock Market. Furthermore, if the average daily volume in US dollars falls below U.S. \$2.5 million, a one-time 8% dividend will be applied to the preferred stock which would be payable in shares of common stock upon conversion. For example, assuming that the average daily volume in US dollars falls below U.S. \$2.5 million, 3i will be paid in shares of common stock corresponding to 8% of the U.S. \$20 million investment, i.e. U.S. \$1.6 million.

Consequently, even though the investment by 3i implies a pre-investment value for Allarity US Inc. of U.S. \$80 million and a post-investment implied value of U.S. \$100 million, assuming that the Recapitalization is completed and the shares of Allarity US Inc. are listed for trading on the U.S. Nasdaq Stock Market, no assurances can be given that the shares of Allarity US Inc. common stock will trade at these levels or that the fixed conversion price of the preferred stock or the exercise price of the warrants will not be reduced.

The 3i Fund investment is conditioned upon i) shareholder approval, ii) the completion of the Recapitalization, iii) acceptance of the listing application for the Allarity US Inc. common stock by the U.S. Nasdaq Stock Market and iv) an effective registration statement filed with the SEC.

The Recapitalization transaction involves the sale of all of the Company's assets and the assumption of all of the Company's liabilities by Allarity US Inc. in exchange for the common stock of Allarity US Inc., thereby creating the new holding company structure with Allarity US Inc. as the holder of all assets and liabilities, directly or indirectly, of Allarity Therapeutics A/S, and is conditioned upon the approval of the Company's shareholders.

A registration statement on Form S-4 will be filed with the U.S. Securities and Exchange Commission ("SEC") covering the shares of common stock to be issued in the Recapitalization, and an application for listing the shares on the U.S. Nasdaq Stock Market will be made to become effective on the

completion of the Recapitalization. It is anticipated that the Form S-4 will be filed with the SEC by mid-June 2021, with a target date for listing on the U.S. Nasdaq Stock Market by or before August 30, 2021, subject to necessary approvals. The final dates remain subject to change.

An extraordinary general meeting of the Company's shareholders will be convened once the registration statement to be filed with the SEC has been declared effective and at that time all shareholders will receive an information statement and prospectus that will describe the Recapitalization transaction and 3iFund investment in greater detail before voting on the transaction at the extraordinary meeting. At the extraordinary general meeting, the shareholders will also be asked to approve the special dividend, liquidation, or share exchange that distributes the shares of common stock issued by Allarity US Inc. to the Company's shareholders pro rata and the subsequent liquidation of the Company.

Upon the completion of the Recapitalization transaction, the Company anticipates that the Company's ordinary shares will no longer be listed for trading on the First North Growth Market (Stockholm, SE) and the shares of common stock distributed to the shareholders by special dividend, liquidation proceeds, or share exchange will be listed for trading on the U.S. Nasdaq Stock Market.

Other material contracts

Other than as set out above the Company has not entered into any material contract to which the Company is a party for the year immediately preceding the Prospectus Date or the date of this supplement, neither has the Company entered into any other contract which contains any provision under which the Company has any obligation or entitlement which is material to the Company other than in the ordinary course of business."

Page 40, section
ADDITIONAL IN-
FORMATION, "Legal
Proceedings"

The following lines are deleted:

"The Company is currently negotiating a settlement regarding financial services rendered by Translution Capital ApS to the Company involving an exposure to the Company of not more than DKK 4.6 million."

And replaced by:

"The Company has, however, reached a settlement with Translution Capital ApS for services rendered in connection with this Units Issue. Under the settlement the Company has agreed to pay DKK 3.25 million for the services thus rendered prior to the engagement of Aalto Capital."

WITHDRAWAL

Investors who have accepted subscribing for Units before the publication of this Supplement are entitled to withdraw their acceptance within a time limit of at least two working days after the publication of this Supplement, i.e. until 28 May 2021, pursuant to article 23(2) of the Prospectus Regulation and the relevant implementation legislation in Denmark. The right to withdraw is exercised by giving written notice to info@hagberganeborn.se, Hagberg & Aneborn Fondkommission, Vahallavägen 124, 114 41 Stockholm, Sweden. Investors who have subscribed for Units through a bank/nominee should contact their bank/nominee regarding the withdrawal. A subscription that has not been withdrawn will remain binding and investors who wish to remain their subscription of Units need not take any measures.

RESPONSIBILITY STATEMENT

The Company's Responsibility

The Company is responsible for the information in this Prospectus in accordance with Danish law.

The Company's Statement

We hereby declare that we, as the persons responsible for this Supplement on behalf of the Company in our capacity as members of the Board of Directors and the Executive Management, have taken all reasonable care to ensure that, to the best of our knowledge and belief, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of its contents.

Hørsholm, Denmark, 27 May 2021

Allarity Therapeutics A/S

Board of Directors

Duncan Moore
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Gail Maderis
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Steve Carchedi
Board Member

Søren Gade Jensen
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