

Agilyx AS
Consolidated Statements of Operations
For the six month period ended June 30, 2020

All figures in USD	Notes	Year to Date
Revenues		1 571 615
Cost of revenues		783 948
Gross margin		787 666
Research and development		592 012
Sales and marketing		179 382
General and administrative		2 661 081
Total operating expenses		3 432 475
Loss from operations	-	2 644 809
Result from investment after equity method	8	1 693 357
Interest expense, net	-	172 342
Other income (expense), net		14 992
Total other income (expense)	-	1 850 707
Net loss	-	4 495 516

Agilyx AS
Consolidated Balance Sheet
For the Period Ended June 30, 2020

<i>All figures in USD</i>	Notes	<u>June 30, 2020</u>
ASSETS		
Property, plant and equipment, net	2	245 288
Intangible assets	3	4 666 555
Investments in entities	8	1 567 642
Other non-current assets		35 801
Non-current assets		6 515 286
Cash and cash equivalents		7 825 684
Prepaid expenses and other current assets		563 955
Current assets		8 389 639
Total assets		14 904 925
LIABILITIES AND STOCKHOLDERS' EQUITY		
Common stock	4	63 451
Additional paid-in capital		10 650 159
Accumulated deficit		-4 495 516
Stockholders' equity	5	6 218 094
Long-term notes payable		1 475 000
Other long-term liabilities		598 230
Non-current Liabilities		2 073 230
Accounts payable		645 849
Accrued expenses		574 412
Deferred revenue		3 413 940
Current portion of notes payable		1 979 400
Current liabilities		6 613 601
Total liabilities and stockholders' equity		14 904 925

Consolidated Statements of Cash Flows
For the Year Ended June 30, 2020
(In USD thousands)

	YTD
Net loss	-4 496
Depreciation	98
Result from investment after equity method	1 693
Accounts receivable	250
Accounts payable and accrued liabilities	281
Prepaid expenses and other assets	-482
Other timing differences	617
Net cash from operations	-2 038
Net values in Agilyx Inc at inversion	2 344
Regenyx investment funding	-1 657
Purchases of property and equipment	-130
Net cash from investments	556
Proceeds from convertible debt offering	2 060
Proceeds from government programs	779
Proceeds from private stock offering	9 355
Redemption of stock	-27
Repayment of notes payable	-2 863
Net cash from financing	9 304
Net increase (decrease) in cash and cash equivalents	7 823
Cash and cash equivalents at beginning of the period	3
Cash and cash equivalents at end of the period	7 826

Note 1 Accounting policies

Agilyx AS is a Norwegian company and the parent company in the Agilyx Group. The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The consolidated interim financial statements are presented in USD as it is considered to be the group's functional currency.

The company was incorporated on November 22, 2019 as a shelf company and there was no activity in 2019. In addition the Agilyx AS Group was formed in early January 2020. For this reason, the consolidated interim financial statement does not present comparable figures.

Principles of Consolidation

The consolidated financial statements include the accounts of Agilyx AS and its subsidiary Agilyx Corporation. All intercompany accounts and transactions are eliminated in consolidation. Agilyx Corporation hold 50% in Regenyx LLP, an entity considered to under joint control and treated as an investment after the equity method.

The consolidated statements of operation is presented after function.

Revenue

Revenue is recognized when it is earned, i.e. when the claim to remuneration arises. This occurs when both the risk and control have been transferred to the customer or the service is performed. The revenue is recognized with the value of the remuneration at the time of transaction.

Cost of sales and other expenses

In principle, cost of sales and other expenses are recognized in the same period as the revenue to which they relate. In instances where there is no clear connection between the expense and revenue, the apportionment is estimated. Other exceptions to the matching criteria are disclosed where appropriate.

Valuation and classification of assets and liabilities

Assets intended for permanent ownership or use in the business are classified as non-current assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. The classification of current and non-current liabilities is based on the same criteria. Current assets are valued at the lower of historical cost and fair value. Fixed assets are carried at historical cost but are written down to their recoverable amount if this is lower than the carrying amount and the decline is expected to be permanent. Fixed assets with a limited economic life are depreciated on a systematic basis in accordance with a reasonable depreciation schedule. Other long-term liabilities, as well as short-term liabilities, are valued at nominal value.

Research and Development Expenses

Research and development costs are expensed as incurred.

Intangible fixed assets

Intangible assets that are acquired separately are recognized at historical cost. Intangible assets acquired in a business combination are recognized at historical cost when the criteria for balance sheet recognition have been met. Intangible assets with a limited economic life are amortized on a systematic basis. Intangible assets are written down to the recoverable amount if the expected economic benefits do not exceed the carrying amount and any remaining development costs.

Fixed assets

Fixed assets are recorded in the balance sheet at acquisition cost, less accumulated depreciation and any impairment losses. Depreciation is made from the time assets are put into regular operations and is calculated on straight line basis over the estimated economic asset lifetime. Depreciation rates are set out in note 2. This periods depreciation is charged to this year's operating expenses in the income statement.

Investment in Joint Venture

In the consolidated financial statements, the equity method is used as a principle for investments in joint venture. Use of the method means that the book value in the balance sheet corresponds to the share of equity in the associated company, adjusted for any remaining excess values from the acquisition and unrealized internal gains. The profit share in the income statement is based on the share of profit after tax in the associated company surplus values and unrealized gains. In the income statement, the profit share is shown under financial items.

Leases

Operating leases are recognised as an expense over the lease term. Capital lease commitments are capitalized and amortised over the lease period.

Receivables

Trade receivables and other receivables are recognized at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated of temporary differences and the tax effect of tax losses carried forward. The deferred tax asset has not been recognised as it does not meet the criterias for such recognition.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with NRS 15A – Share-based payment and IFRS 2 Share-based payment. This statement requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the grant. The Company recognizes stock-based compensation expense over the vesting period of the awards on a straight-line basis. The fair value of common stock option awards is estimated on the date of grant using the 409A Valuation.

The weighted-average expected option term for employee awards is based on the simplified method, which uses the average of the vesting period and contractual life of the underlying options. The expected option term for non-employee awards is the contractual life of the award. The risk-free interest rate is based on the U.S. Treasury rates in effect during the corresponding period of grant. Estimated volatility is calculated based on the historical volatility of similar entities whose share prices are publicly traded.

Independent subscription rights

Agilyx Incorporated has granted warrants in connection with various debt and equity issuances that were exercisable into common stock. In connection to the share exchange that was completed January 7, 2020, These warrants will be deleted and replaced with subscription rights where Agilyx AS will issue 36.925 subscription rights exercisable by notice to the board. On exercise a cash contribution of USD 100 shall be paid for the warrants under the 2017 plan in Agilyx Corporation, and USD 0,01 for all other warrants. The subscription rights was issued by an extraordinary general meeting held August 27, 2020. Warrants are recognised at fair value at the date of the grant.

Note 2 Property, plant and equipment

Property, plant and equipment consist of the following as of June 30, 2020

	Total
Acc. cost at January 01, 2020	607 650
Acc. depr. at January 01, 2020	353 085
Depreciation	9 278
Acc. depr. at June 30, 2020	362 363
Balance at June 30, 2020	245 288
Economic life	3-20 years

Note 3 Intangible assets

Intangible assets consist of the following as of June 30, 2020

	Licensed technology	Exclusivity license	Total
Acc. cost at January 01, 2020	3 575 000	1 188 378	4 763 378
Acc. amortization at January 01, 2020	7 448	0	7 448
Amortization	89 375	0	89 375
Acc. amortization at June 30, 2020	96 823	0	96 823
Balance at June 30, 2020	3 478 177	1 188 378	4 666 555
Economic life	20	4	

Note 4 Shareholders

Name	No of shares	Ownership
Saffron Hill Ventures 2 Limited Partnership	331 743	59,28 %
Caspla Securities Limited	46 803	8,36 %
Corvina Holdings Limited	36 424	6,51 %
Sundt AS	16 000	2,86 %
MP Pensjon	16 000	2,86 %
Other shareholders	112 732	20,13 %
Total	559 702	100,00 %

The total number of shares outstanding are 559.702, and par value for each share is NOK 1.

Note 5 Equity

	Common Stock	Additional Paid-in capital	Accumulated Deficit	Total
Balance January 01, 2020	3 407	0	0	3 407
Increase in captial by inversion	60 044	10 650 159		10 710 203
Net loss			-4 495 516	-4 495 516
Balance June 30, 2020	63 451	10 650 159	-4 495 516	6 218 094

The share capital in Agilyx AS is NOK 559.602 and par value each share is NOK 1

Note 6 Common Stock Warrants

The Company has granted warrants in connection with various debt and equity issuances.

The following table reflects the total of outstanding warrants as of June 30, 2020 that are exercisable into common stock:

	Number of common shares	Excercise price pr share	Expiration
Common stock warrants converted to subscription rights	28 847	100,00 USD	2020-2024
Common stock warrants associated with the Technology License and Transfer Agreement	8 079	0,01 USD	December 2025
Total	36 926		

Note 7 Stock Option plan

	Stock Option Activity			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1, 2020	78 380	\$ 6,03	6,2	\$ -
Share authorized				
Options granted	19 900	\$ 98,04		
Options exercised	-	-		
Options forfeited/expired	(6 222)	\$ (6,03)		
Balance at June 30, 2020	92 058	\$ 25,92	7,10	2 145 979
Options vested and expected to vest at June 30, 2020	92 058	\$ 25,92	7,10	2 145 979
Options Exercisable	60 096	\$ 6,03	5,85	1 787 255

Shares Authorized in Pool:

2020 Plan	150 000
Granted Life-to-Date	- 78 380
Shares Granted	- 19 900
Forfeitures/Expirations	6 222

Shares Available at June 30, 2020 **57 942**

Note 8 Investment in joint venture

Agilyx holds a 50% interest in Regenyx LLC. Regenyx was formed in April 2019.

For the first twenty-four months after formation of Regenyx, Agilyx is solely responsible for funding its operations. Commencing after this twenty-four month period and ending on the five year anniversary of Regenyx's formation, under certain conditions Agilyx is subject to a contractual obligation to purchase all of AmSty's equity investment in Regenyx at the option of AmSty ("put option"). The purchase price is based on the fair market value of the membership units held by AmSty at the date of exercise.

Calculation of balance sheet value 30.6.20:

Balance sheet at inversion	1 603 509
Share of result for the year	-1 693 357
Transfers to the company	1 657 490
Balance sheet value June 30, 2020	1 567 642