Press Release

2020 in Review: A Letter from Allarity's CEO

To Our shareholders:

As the year is drawing to a close, we once again find ourselves planning for the future, but also reflecting on the events of 2020. I am sure we can all agree that 2020 was filled with unforeseen challenges, and for some of us, also unexpected opportunities. However, I am pleased to report that, for Allarity, despite the challenges brought about by the global COVID pandemic, it was a year of positive transformation. We have advanced our pipeline, even though somewhat less rapid than we hoped for at the start of the year, we have delivered on improving operational results, and we have taken important steps to position the company for what we expect to be an era of carefully managed clinical and financial progress.

In 2020, our financial situation significantly improved. Early in the year, we managed to retool our balance sheet and, as a result, steer the company free of the historic dependency on short-term loan funding. This type of historical financing had weighed on the company's outlook by creating a headwind. With the elimination of this financing, this headwind is now behind us.

As the year has progressed, we have repeatedly been able to show that our new focus on only three high priority programs, and our carefully reduction of costs, have been paying off. As a result, our operational cost has become 50% lower than the previous year. In addition, in June, we announced that our prior stock purchase in Lantern Pharma, Inc., from which we in-licensed our Irofulven program several years ago, were realized in our financials, resulting in over USD 500K to our balance sheet. We also instituted renewed equity financial instruments to better prepare the company for the future and creating a financial tailwind.

Along with positive financial improvements in our balance sheet, we monetized two of our non-prioritized portfolio programs, off our balance sheet, by our agreement with Smerud Medical Research International to continue clinical development of both LiPlaCis® and 2X-111, together with their DRP® companion diagnostics, resulting in potential future royalty stream on product sales and milestones if both drugs are approved of over US $30M. This has transformed our Q2 financials from a historic cash burn story to positively position the company for future development success. Besides utilizing our equity-financing agreements throughout the year, and monetizing our own secondary assets to the extent possible, our focus naturally also includes, on a continuing basis, to seek alternative non-dilutive sources of funds from the FDA and NIH, as well as other government funding sources, when such opportunities arise.

PORTFOLIO DEVELOPMENT

Development continued throughout the year in spite of the COVID pandemic. We advanced the preparation of our U.S. NDA for first approval of dovitinib as a treatment for renal cell carcinoma (RCC). Today, our most advanced clinical oncology asset is dovitinib, and we have made substantial progress in 2020 in moving dovitinib towards market approval, along with its DRP® companion diagnostic. In March, we received feedback from our pre-NDA meeting with the FDA, regarding possible approval for dovitinib used to treat renal cell carcinoma (RCC), and during the year our internal planning and preparations have been progressing fully as planned. It is encouraging that the FDA indicated that they would accept the NDA filing when submitted. We received additional guidance including input on the "non-inferiority" margin against sorafenib, which had not been pre-defined in the protocol for the prior dovitinib Phase 3 trial in RCC. We also received feedback that no additional pre-clinical studies were required, no safety issues were raised, no additional pharmacokinetics, pharmacology, and/or

human toxicity studies were required, and no new manufacturing (CMC) requests are necessary. Following this encouraging feedback, we aimed to file our dovitinib application with the FDA in late 2020. Unfortunately, the COVID pandemic impacted our third-party drug manufacturer resulting in a delay to our original timeline. Developing new transformational therapies is always full of unforeseeable uncertainties, and this is a case-in-point of such a situation. Our parallel work with submitting a Pre-Market Approval (PMA) application with the U.S. FDA to seek approval of the DRP® companion diagnostic for dovitinib is also progressing as planned.

However, we are not stopping there. To benefit even more patients, we are continuing to develop our PARP inhibitor, stenoparib, as a potential, new breakthrough medicine for COVID-19, and in 2020 we made significant progress. Following a remarkably successful collaboration with the Pathogen and Microbiome Institute at Northern Arizona University (NAU), a leading U.S. infectious disease test center, we earlier this year announced that stenoparib had shown in vitro anti-viral activity against Coronavirus in pre-clinical studies. We announced that we intended to work with FDA and NIH, as well as other funding sources, to advance the drug into clinical trials for the treatment of COVID-19.

It would be extremely positive, in every aspect, if Allarity could play a role in alleviating the disastrous personal-health consequences the Coronavirus pandemic will undoubtedly continue to have for a lengthy period of time – despite the recent encouraging news of vaccine approvals.

Based on all of this progress, our expectation is that our high priority portfolio will yield our first approved therapeutic, dovitinib, together with its DRP® companion diagnostic, within a not too distant future. My assessment is that our high priority portfolio is now stronger than it has ever been, 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.

BUSINESS DEVELOPMENT

Our business development efforts also began to bear fruit as we secured full ownership of our stenoparib and dovitnib programs, to maximize company and shareholder value resulting from the future success of these priority assets. Just recently, we announced that we have successfully secured expanded commercial rights, from EISAI Co., Ltd., to develop stenoparib in the anti-viral space, including as a COVID-19 treatment, something I am very excited about.

In addition, we have resolved our historical, overly-complicated shareholder structure from past Special Purposes Vehicle Structures (SPV), which were established to allow investment into certain of our programs, by converting those investor/shareholder positions to common shares of Allarity. This ensures that we now have one investor base representing Allarity Therapeutics and that this shareholder base benefits from the future success of all of our clinical programs. As a result, we now have a much simpler capital structure to attract potential strategic partners and new investors.

Also, to unlock value for our shareholders, and to allow Allairty to sharpen its focus on our high priority clinical programs, we signed an out-licensing agreement with Smerud Medical Research International AS to continue the clinical development of our secondary LiPlaCis® and 2X-111 programs towards key value inflection points. The impact this deal had on our Q2 report numbers, mentioned earlier, are negligible compared to the total potential upside this dual deal brings. If our partner meets all the outlined milestones, Allarity expects milestone fees of nearly USD 30 million plus royalties on future drug sales. Smerud is a leading European-based clinical contract research organization (CRO) with expertise in the development of precision cancer drugs, and Smerud has previously worked with Allarity on the LiPlaCis® program as well as several other pipeline programs.

At Allarity, we take great pride in our operational performance because we know that it underpins our strategic efforts, our ability to show the market our technology, and our ability to have a demonstrably positive impact on the patient. Our current company profile, with no debt and a focused pipeline, is the outcome we planned for in the end of 2019, when we started the 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.

ORGANIZATION STRUCTURE

In 2020, we took several actions to further improve Allarity's ability to seize these opportunities, as we in September we announced that we reorganized the company with a new board, and in November a new CFO to better capitalize on the evolving and unique dynamics of the business and to achieve a better footprint in the U.S.

Our new CFO Jens Knudsen is a unique fit with our company at its current stage. Not only does he have experience from several U.S. listed biotech companies, but he is also a certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants. Furthermore, he is born and raised in Denmark, the same country as Allarity was founded, and Jens is now a dual citizen of both the U.S. and Denmark. The addition of Jens to the leadership team undoubtedly strengthens the Company's ability to access both European and U.S. financial markets.

But this strengthening of our organization with a new CFO was not the only major role change this year. Only one month earlier we welcomed two new very seasoned Board Members. One is Soren Gade, a member of the European Parliament, and former Minister of Defense in Denmark. He is also currently serving as patron for the Danish Bowel Cancer Association. The second new board member, Gail Maderis, is currently CEO of Antiva Biosciences, Inc., and former CEO of Five Prime Therapeutics, Inc. Gail brings to our board strong CEO and drug development experience in oncology therapeutics. We are delighted to have the strong caliber of these individuals as a part of our new board. Together with our new CFO, these new board members bring extensive experience in and deep knowledge of oncology therapeutics development coupled with diagnostics that will greatly benefit Allarity.

While I am very pleased about these people joining us, it is important to stress that we remain very attentive to keeping our inhouse employee team as lean as possible. Since I joined the company in late 2019, we have seen an ongoing reduction of headcount, which has continued in 2020. Overall, it is a process which has impacted our financials positively in 2020, and in the long term, we expect our focus on cost efficiency will create a base for shareholder value creation.

PREPARING FOR SUSTAINED PROGRESS

During the prolonged period of value decline, due to market impact of our financing vehicles and the COVID-19 pandemic, and now followed by some stability, we have of course begun to focus on the preparation for the launch of new products, which is the end goal of our organization. We believe five important factors will create significant opportunities for Allarity to gain foothold as a more prominent biotech company, benefitting from increased awareness from both investors and potential partners in the year ahead.

1. We see the potential to gain approval of, and launch, up to 3 products over the next five years, made likely by a recent history of a well-executed corporate strategy.
2. We expect to enjoy dramatic benefits of filing NDA applications for dovitinib and its DRP® companion diagnostic in 2021.
3. We expect to gain attention from the U.S. biotech community, as we continue to pursue all options to bring stenoparib to the table as a possible COVID-19 treatment.
4. We anticipate a pickup in patient enrollment in our ongoing Phase 2 clinical trial of stenoparib as a treatment for ovarian cancer, being conducted at the Dana-Farber Cancer Institute (Boston, MA) next year as Covid begins to be addressed.
5. We anticipate the start of our Phase 2 clinical trial of IXEMPRA® as treatment for metastatic breast cancer in Europe.

During 2020, we also improved our business operations, including quality, by simplifying our structure and processes, including a major effort to improve our operational effectiveness. These efforts are freeing up resources that can be reinvested.

Our business development initiatives continue to include capital raising efforts and exploration of multiple alternative paths, including additional equity investment, consideration of potentially moving to a U.S. listed market, strategic partnerships with Big pharma, and other opportunities to better capitalize our company in order to adequately support and advance our key programs.

Of course, our business isn't without its risks and challenges. Biotech development is capital intensive but with opportunities. Most significant, we need to ensure that our innovation, investment, and risking taking are rewarded in the marketplace, while doing all what we need to support the DRP® platform and value creation. And, we need to accomplish all of this while managing through the COVID-19 pandemic.

DRIVING ALLARITY TOWARD A BREAKTHROUGH….REALIZED

We firmly believe that the companies, such as Allarity, that create meaningful value for patients over the next few years are the ones that will thrive. That's why we are putting a renewed emphasis on Allarity's purpose: "Personalized Cancer Care… Realized". Our purpose defines who we are as a company and serves as a focus point of our culture, and also serves as the beacon of our business development. The true value of the company will only emerge when we fully realize making personalized cancer care a reality.

When we talk about breakthroughs within the company, we are not talking about just big scientific breakthroughs, but also breakthroughs in the way we work, and the way we get our technology and drugs to patients. Together we believe our DRP® technology breakthrough will create value for patients, colleagues and shareholders. It is our hope that these things have all been clearly evident in the past year, and that they will continue into the future.

Finally, we once again express our most sincere appreciation to our valued shareholders and associates; wishing you and your families a very Happy Holiday season and a bright start to 2021.

Thank you for your continued support of the work we do every day.

Sincerely,

Steve Carchedi

About Allarity Therapeutics
Allarity Therapeutics (Nasdaq First North Growth Market Stockholm: ALLR.ST) develops drugs for personalized treatment of cancer guided by its proprietary drug response predictor technology, the DRP® platform. The company has a mature portfolio of six drug candidates, including compounds in the pre-registration stage. The product portfolio includes: stenoparib (2X-121), a PARP inhibitor in Phase 2 for ovarian cancer; dovitinib, a pan-TKI in post-Phase 3 for renal cell carcinoma; IXEMPRA® (Ixabepilone), a microtubulin inhibitor approved in the U.S. for the treatment of breast cancer; LiPlaCis®, a liposomal formulation of cisplatin in Phase 2 trials for breast and prostate cancer; 2X-111, a liposomal formulation of doxorubicin under manufacturing for Phase 2 in breast cancer; and Irofulven, a DNA damaging agent in Phase 2 for prostate cancer.

About the Drug Response Predictor – DRP® Companion Diagnostic
Allarity uses its drug specific DRP® to select those patients who, by the genetic signature of their cancer, are found to have a high likelihood of responding to the specific drug. By screening patients before treatment, the response rate can be significantly increased. The DRP® method builds on the comparison of sensitive vs. resistant human cancer cell lines, including genomic information from cell lines combined with clinical tumor biology and prior clinical trial outcomes. DRP® is based on messenger RNA from the patient's biopsies. DRP® has proven its ability to provide a statistically significant prediction of the clinical outcome from drug treatment in cancer patients in nearly 40 clinical studies that were examined, including an ongoing, prospective Phase 2 trial. The DRP® platform can be used in all cancer types and is patented for more than 70 anti-cancer drugs.

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Forward-looking statements
This announcement includes forward-looking statements that involve risks, uncertainties and other factors, many of which are outside of Allarity's control and which could cause actual results to differ materially from the results discussed in the forward-looking statements. Forward-looking statements include statements concerning Allarity's plans, objectives, goals, future events, performance and/or other information that is not historical information. All such forward-looking statements are expressly qualified by these cautionary statements and any other cautionary statements which may accompany the forward-looking statements. Allarity undertakes no obligation to publicly update or revise forward-looking statements to reflect subsequent events or circumstances after the date made, except as required by law.

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