

ANNUAL REPORT 2022

**MAINZ BIOMED N.V.
GERMANY**

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REPORT OF THE AUDITORS

To the Shareholders and Board of Directors of
Mainz Biomed N.V.
Robert-Koch-Strasse 50
55129 Mainz

Huizen, May 19, 2023

Dear Board of Directors,

Enclosed you find the report regarding the financial statements for the year 2022 of your company.

1 SCOPE OF ENGAGEMENT

In accordance with your instructions we have compiled the annual accounts 2022 of your company, including the balance sheet with a total of \$ 28,280,817 and the profit and loss account with a negative result after tax of \$ 20,479,779.

2 ACCOUNTANT'S COMPILATION REPORT

The financial statements of Mainz Biomed N.V. at Germany have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at December 31, 2022, the profit and loss account for 2022 with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, 'Compilation engagements', which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of Mainz Biomed N.V.

During this engagement we have complied with the relevant ethical requirements prescribed by the 'Verordening Gedrags- en Beroepsregels Accountants' (VGBA, Dutch Code of Ethics). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

We draw attention to the going concern paragraph in the notes of the financial statements which indicates that the company experiences impact of the corona virus outbreak worldwide. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

3 GENERAL

3.1 Board

The Board of Directors consist of G. Bächler, M.R. Eidens, A. Libanori, H.J. Hekland, O.N. Holden, H. Dreismann and G.J. Tibbits. The authorized representatives are P.C.P. Freese and W. Caragol.

3.2 Incorporation of a company

The company Mainz Biomed B.V. was incorporated on March 08, 2021 as a private company with limited liability. On November 9, 2021, the company Mainz Biomed B.V. was converted into a Dutch public company with limited liability; Mainz Biomed N.V.

3.3 Recognition of the 2021 loss

The result amounting to \$ 8,420,552 has been carried forward as accumulated deficit.

We are confident that we have informed you sufficiently and remain prepared to provide you with further information should you so desire.

Yours sincerely,

Kreston Lentink Audit B.V.
J.I. Cid RA

FINANCIAL STATEMENTS

1 BALANCE SHEET AS AT DECEMBER 31, 2022

(after appropriation of the result)

	12/31/2022		12/31/2021	
	\$	\$	\$	\$
ASSETS				
FIXED ASSETS				
Intangible fixed assets				
Incorporation and share issue costs		2,637,204		1,304,559
Financial fixed assets				
Participating interests in group companies	2		2	
Other receivables	-		505,500	
		2		505,502
CURRENT ASSETS				
Receivables, prepayments and accrued income				
Due from group companies	24,868,124		9,444,016	
Taxes and social security contributions	102,336		94,085	
Other receivables, prepayments and accrued income	624,033		743,750	
		25,594,493		10,281,851
Cash and cash equivalents		49,118		21,673
		28,280,817		12,113,585

	12/31/2022		12/31/2021	
	\$	\$	\$	\$
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY	(4)			
Issued capital	164,896		141,075	
Share premium reserve	40,694,486		12,980,326	
Legal and statutory reserves	18,137,023		8,460,703	
Other reserves	<u>-31,537,535</u>		<u>-9,725,111</u>	
		27,458,870		11,856,993
CURRENT LIABILITIES				
Accounts payable	398,625		256,592	
Other liabilities, accruals and deferred income	<u>423,322</u>		<u>-</u>	
		821,947		256,592
		<u>28,280,817</u>		<u>12,113,585</u>

2 PROFIT AND LOSS ACCOUNT 2022

	2022		2021	
	\$	\$	\$	\$
Operating expenses				
Employee expenses (5)	382,033		-	
Amortization and depreciation	676,466		68,661	
Other operating expenses	18,867,569		8,724,453	
		19,926,068		8,793,114
Operating result		-19,926,068		-8,793,114
Financial income and expenses		-48,211		-132,938
Result of ordinary activities before taxation		-19,974,279		-8,926,052
Taxation on result of ordinary activities		-505,500		505,500
Result after taxation		-20,479,779		-8,420,552

3 ACCOUNTING PRINCIPLES OF VALUATION AND DETERMINATION OF THE RESULT OF THE ANNUAL ACCOUNTS

GENERAL

Activities

The activities of Mainz Biomed N.V., with registered offices in Germany, mainly consist of developing and sell in-vitro diagnostic ("IVD") tests, primarily flagship ColoAlert product in European markets and research use only tests for clinical diagnostics in the area of human genetics, focusing in the areas of personalized medicine. The registration number of the Chamber of Commerce is 82122571.

Going concern

The Company has recurring losses, accumulated deficit other reserves and negative cash flows as of and for the year ended December 31, 2022. The Company also had minimal cash on hand at December 31, 2022. The Company plans to fund its cash flow needs through future debt and/or equity financings which it may obtain through one or more public or private equity offerings, debt financings, government or other third-party funding, strategic alliances or collaboration agreements. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate its research and development, regulatory, and commercial efforts which could adversely affect its future business prospects and its ability to continue as a going concern. While there are indicators of substantial doubt, the Company believes that its currently available cash on hand plus additional sources of funding, including the Company's ability to raise additional capital through

- a. the Company's issuance of ordinary shares as evidenced by its sales through its Controlled Equity Offering in which net proceeds of approximately \$1.3 million was raised over a seven week period of time, and/or
- b. the Company's market cap and liquidity profile which give it the ability to access capital markets in the future, the substantial doubt is alleviated and we believe the Company will be sufficiently funded to meet its planned expenditures and to meet the Company's obligations for at least the one-year period following its consolidated financial statement issuance date.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Group structure

In accordance with article 2:407 part 2A of the Netherlands Civil Code no consolidated annual account have been prepared.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

The annual accounts have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code. Valuation of assets and liabilities and determination of the result take place at nominal value unless stated otherwise.

Foreign currency

Functional currency

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The functional currency of Mainz Biomed N.V. is the European dollar (EUR).

The presentation currency of Mainz Biomed N.V. is the US dollar. For presentation purposes, all amounts are translated from the Euro functional currency to the US dollar presentation currency for each period using the exchange rate at the end of each reporting period for the statement of financial position. Revenues and expenses are translated on the basis of average exchange rates during the year.

Exchange gains and losses arising from translation to the presentation currency are recorded as exchange differences on translation to reporting currency, which is included in other comprehensive income.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables and payables, and financial derivatives. For the principles of primary financial instruments, reference is made to the recognition per balance sheet item.

ACCOUNTING PRINCIPLES APPLIED TO THE VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The useful life and the amortisation method are reassessed at the end of each financial year.

Financial fixed assets

Participations

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of the net asset value. Participating interests without such influence, are valued at cost, taking into account a provision for value decreases. The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as Mainz Biomed N.V. can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Deferred tax asset

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

For the losses to be compensated of approximately USD 13m no tax asset is considered.

Shareholders' equity

Share based compensation

Our stock option grants may contain time based or market-based vesting provisions. Time based options are expensed on a straight-line basis over the vesting period. Market based options ("MBOs") are expensed on a straight-line basis over the derived service period, even if the market condition is not achieved.

The fair value of the stock options is determined on the grant date and is affected by our stock price and other assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, risk free interest rates, expected dividends, and the expected option exercise term. The Company estimates the fair value of time-based stock options using the Black-Scholes-Merton pricing model. The simplified method is used to estimate the expected term of stock options due to a lack of related historical data regarding exercise, cancellation, and forfeiture. For MBOs, the fair value is estimated using Monte Carlo simulation techniques.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of the cancellation and any expense not yet recognized for the award (being the total expense as calculated at the grant date) is recognized immediately. This includes any awards where vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled award and new awards are treated as if they were a modification of the original awards.

ACCOUNTING PRINCIPLES FOR THE DETERMINATION OF THE RESULT

General

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Expenses general

Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

Financial income and expenses

Interest income and interest expenses

Financial income and expenses comprise interest income and expenses, as well as exchange rate differences and other related income and expenses.

Taxes

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

4 NOTES TO THE BALANCE SHEET AS AT DECEMBER 31, 2022

ASSETS

FIXED ASSETS

1. Intangible fixed assets

	Incorporation and share issue costs
	\$
<i>Carrying amount as of January 1, 2022</i>	
Purchase price	1,373,220
Cumulative amortisation and impairment	-68,661
	<u>1,304,559</u>
<i>Movement</i>	
Investments	2,009,111
Amortisation	-676,466
	<u>1,332,645</u>
<i>Carrying amount as of December 31, 2022</i>	
Purchase price	3,382,331
Cumulative amortisation and impairment	-745,127
	<u>2,637,204</u>
<i>Amortisation rates</i>	%
Incorporation and share issue costs	20

2. Financial fixed assets

	12/31/2022	12/31/2021
	\$	\$
Participating interests in group companies		
Mainz Biomed Germany GmbH at Mainz, Germany (100%)	1	1
Mainz Biomed USA, Inc. at Mainz (100%)	1	1
	2	2
Other receivables		
Deferred tax asset	-	505,500

CURRENT ASSETS

3. Receivables, prepayments and accrued income

Due from group companies

Mainz Biomed Germany GmbH	1,763,250	703,436
Mainz Biomed USA, Inc.	23,104,874	8,740,580
	24,868,124	9,444,016

No interest was calculated.

EQUITY AND LIABILITIES

4. Shareholders' equity

	12/31/2022	12/31/2021
	\$	\$
Issued capital		
Subscribed and paid up 14,629,457 ordinary shares at par value €0,01	164,896	141,075
	164,896	141,075

The Company has 45 million ordinary shares authorized. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. The par value of share capital is EUR0.01 per share.

During the year ended December 31, 2022, the Company issued ordinary shares as follows:

- 1,725,000 ordinary shares issued for gross proceeds of approximately \$25.9 million (proceeds net of offering expenses was \$23.9 million);
- 821,456 ordinary shares issued for exercise of warrants, including cashless exercises (proceeds from the cash exercises of warrants were \$382,500); and
- 73,000 ordinary shares issued for services valued at \$906,920.

	2022	2021
	\$	\$
Share premium reserve		
Carrying amount as of January 1	12,980,326	-
Allocation	27,714,160	12,980,326
Carrying amount as of December 31	40,694,486	12,980,326
	40,694,486	12,980,326

	12/31/2022	12/31/2021
	\$	\$
Legal and statutory reserves		
Reserve for incorporation and share issue costs	2,637,204	1,304,559
Reserve applicable to warrants	166,575	754,286
Reserve applicable to stock options	15,347,394	6,430,158
Stock based compensation	-14,150	-28,300
	18,137,023	8,460,703

	2022	2021
	\$	\$
<i>Reserve for incorporation and share issue costs</i>		
Carrying amount as of January 1	1,304,559	-
Allocation	1,332,645	1,304,559
Carrying amount as of December 31	2,637,204	1,304,559
 <i>Reserve applicable to warrants</i>		
Carrying amount as of January 1	754,286	-
Allocation	-	754,286
Exercised	-587,711	-
Carrying amount as of December 31	166,575	754,286

During the year ended December 31, 2021, in conjunction with private sales of ordinary shares, the Company issued 3,745,000 warrants and 161,000 underwriter warrants valued at \$754,286, which was recorded to Reserve in equity. The warrants were valued using the Black-Scholes pricing model. The Black-Scholes model requires six basic data inputs: the exercise or strike price, time to expiration, the risk free interest rate, the current stock price, the estimated volatility of the stock price in the future, and the dividend rate. Changes to these inputs could produce a significantly higher or lower fair value measurement.

In 2022 several warrants were exercised.

Reserve applicable to stock options

Carrying amount as of January 1	6,430,158	-
Allocation	8,917,236	6,430,158
Carrying amount as of December 31	15,347,394	6,430,158

We adopted our 2021 Omnibus Incentive Plan (the ("Plan")). Under the Plan, we are authorized to issue equity incentives in the form of incentive stock options, non-statutory stock options, restricted shares, restricted share units, share appreciation rights, performance units or performance shares under separate award agreements. Under the Plan, the aggregate number of shares underlying awards that we could issue cannot exceed 2,300,000 ordinary shares.

We adopted our 2022 Omnibus Incentive Plan (the ("Plan")). Under the Plan, we are authorized to issue equity incentives in the form of incentive stock options, non-statutory stock options, restricted shares, restricted share units, share appreciation rights, performance units or performance shares under separate award agreements. Under the Plan, the aggregate number of shares underlying awards that we could issue cannot exceed 500,000 ordinary shares.

Stock options with time-based vesting were valued using the Black-scholes pricing model, while stock options with market-based vesting were valued using the Monte Carlo simulation. Forfeitures are estimated at the time of grant and adjusted, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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GERMANY

	2022	2021
	\$	\$
<i>Stock based compensation</i>		
Carrying amount as of January 1	-28,300	-
Withdrawal	14,150	-28,300
Carrying amount as of December 31	-14,150	-28,300
 Other reserves		
Carrying amount as of January 1	-9,725,111	-
Allocation of financial year net result	-20,479,779	-8,420,552
Movement reserve for incorporation and share issue costs	-1,332,645	-1,304,559
Carrying amount as of December 31	-31,537,535	-9,725,111

5 NOTES TO THE PROFIT AND LOSS ACCOUNT 2022

	2022	2021
	\$	\$
5. Employee expenses		
Wages and salaries	333,827	-
Social security charges	31,250	-
Pension and early retirement expenses	16,956	-
	<u>382,033</u>	<u>-</u>

Staff

During 2022, two employees were employed on a full-time basis.

6 OTHER NOTES

Subsequent events

During the period from January 1, 2023 to May 14, 2023, pursuant to the Controlled Equity Offering we sold 236,244 ordinary shares for net proceeds of \$1,492,627.

Recognition of the loss for 2022

The board of directors proposes to deduct the negative 2022 result from the other reserves for an amount of \$ 20,479,779. The General Meeting will be asked to approve the appropriation of the 2022 result, this proposition is already recognised in the financial statements.

Signing of the annual accounts

Preparation annual accounts

The annual accounts are prepared by the management.

Germany, May 19, 2023

G. Bächler

M.R. Eidens

A. Libanori

H.J. Hekland

O.N. Holden

H. Dreismann

G.J. Tibbits