

**ANNUAL REPORT 2023**

**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, April 19, 2024

Dear Board of Directors,

Enclosed you find the report regarding the financial statements for the year 2023 of your company.

## **1 SCOPE OF ENGAGEMENT**

In accordance with your instructions we have compiled the annual accounts 2023 of your company, including the balance sheet with a total of \$ 42,751,746 and the profit and loss account with a negative result after tax of \$ 8,790,421.

## **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, 2023, the profit and loss account for 2023 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 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 2022 loss**

The result amounting to \$ 20,479,779 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, 2023**  
(after appropriation of the result)

	12/31/2023		12/31/2022	
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Intangible fixed assets</b>	(1)			
Incorporation and share issue costs		2,465,862		2,637,204
Concessions, licenses and intellectual property rights		3,394,645		-
		<u>5,860,507</u>		<u>2,637,204</u>
<b>Financial fixed assets</b>	(2)			
Participating interests in group companies			2	2
<b>CURRENT ASSETS</b>				
<b>Receivables, prepayments and accrued income</b>	(3)			
Due from group companies		36,284,039		24,868,124
Taxes and social security contributions		78,990		102,336
Other receivables, prepayments and accrued income		425,424		624,033
		<u>36,788,453</u>		<u>25,594,493</u>
<b>Cash and cash equivalents</b>		102,784		49,118
		<u>42,751,746</u>		<u>28,280,817</u>





2 PROFIT AND LOSS ACCOUNT 2023

	2023		2022	
	\$	\$	\$	\$
<b>Operating expenses</b>				
Employee expenses (5)	373,678		382,033	
Amortization and depreciation	1,066,601		676,466	
Other operating expenses	6,819,956		18,867,569	
		8,260,235		19,926,068
<b>Operating result</b>		-8,260,235		-19,926,068
Financial income and expenses		-530,186		-48,211
<b>Result of ordinary activities before taxation</b>		-8,790,421		-19,974,279
Taxation on result of ordinary activities		-		-505,500
<b>Result after taxation</b>		-8,790,421		-20,479,779

### **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, 2023. The Company also had minimal cash on hand at December 31, 2023. These factors raise a substantial doubt as to the Company's ability to continue as a going concern for a period that is one year from the date these financial statements are published. 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.

The Company plans to fund its cash flow needs through current cash on hand and 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. During 2022 the Company raised \$24.2 million of net proceeds from common stock sales and warrant proceeds. During 2023 the Company raised \$16.5 million from a combination of sale of shares and warrants as well as the issuance of convertible debt. During 2024 and beyond the Company believes that it will be able to raise additional funds through a combination of the sale of ordinary shares, the sale and/or conversion of warrants, and use of the Company's access to capital through its Controlled Equity Offering and its Pre-Paid Advance Agreement. The Company also has the ability to defer certain costs, especially those related to clinical studies, to match financing inflows. The Company believes that its currently available cash on hand, including additional financing described above, will be sufficient 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.

On February 15, 2023, we entered into an Intellectual Property Asset Purchase Agreement ("IPA"), which supersedes the Licensing and Options Agreements. Pursuant to the IPA, we acquired the intellectual property underlying the ColoAlert test. Pursuant to the IPA, we were able to reduce the price paid for the intellectual property to (i) \$2 million cash, to be paid out over the next four years, (ii) 300,000 ordinary restricted shares and (iii) a revenue share limited to \$1 per test sold for a period of 10 years. The Company recognized an intangible asset from this purchase and assigned a 10-year useful life. The intangible assets were valued: (a) for the portion to be settled in stock of the Company at the value on the day of closing, or \$6.85 per share, and (b) for the cash portion, at the present value of the future payments using a 10% discount. During the year ended December 31, 2023 the Company paid \$700,000 to the seller. The Company recorded amortization of \$377,183 and interest expense of \$100,813 for the year ended December 31, 2023. As of December 31, 2023, the liability for remaining required payments of \$1,133,589 is recorded as intellectual property acquisition liability.

## 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.

## 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, 2023

ASSETS

FIXED ASSETS

1. Intangible fixed assets

	Incorporation and share issue costs	Concessions, licenses and intellectual property rights	Total
	\$	\$	\$
<i>Carrying amount as of January 1, 2023</i>			
Purchase price	3,382,331	-	3,382,331
Cumulative amortisation and impairment	-745,127	-	-745,127
	<u>2,637,204</u>	<u>-</u>	<u>2,637,204</u>
<i>Movement</i>			
Investments	518,076	3,771,828	4,289,904
Amortisation	-689,418	-377,183	-1,066,601
	<u>-171,342</u>	<u>3,394,645</u>	<u>3,223,303</u>
<i>Carrying amount as of December 31, 2023</i>			
Purchase price	3,900,407	3,771,828	7,672,235
Cumulative amortisation and impairment	-1,434,545	-377,183	-1,811,728
	<u>2,465,862</u>	<u>3,394,645</u>	<u>5,860,507</u>
<i>Amortisation rates</i>			
			%
Incorporation and share issue costs			20
Concessions, licenses and intellectual property rights			10

**2. Financial fixed assets**

	12/31/2023	12/31/2022
	\$	\$
<b>Participating interests in group companies</b>		
Mainz Biomed Germany GmbH at Mainz, Germany (100%)	1	1
Mainz Biomed USA, Inc. at Mainz (100%)	1	1
	2	2
	2	2

**CURRENT ASSETS**

**3. Receivables, prepayments and accrued income**

**Due from group companies**

Mainz Biomed Germany GmbH	-	1,763,250
Mainz Biomed USA, Inc.	36,284,039	23,104,874
	36,284,039	24,868,124
	36,284,039	24,868,124

No interest was calculated.

**Taxes and social security contributions**

Value added tax	78,990	102,336
	78,990	102,336
	78,990	102,336

**Other receivables, prepayments and accrued income**

Prepaid expenses	425,424	624,033
	425,424	624,033
	425,424	624,033

## EQUITY AND LIABILITIES

### 4. Shareholders' equity

	12/31/2023	12/31/2022
	\$	\$
<b>Issued capital</b>		
Subscribed and paid up 21,165,482 ordinary shares at par value €0,01	235,818	164,896

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, 2023, the Company issued ordinary shares as follows:

- 142,775 ordinary shares issued for services rendered which were valued at \$547,840;
- 305,771 ordinary shares issued for exercise of warrants;
- 54,428 ordinary shares issued for a commitment fee on a convertible promissory note valued at \$250,000;
- 300,000 ordinary shares issued for acquisition of intangible assets valued at \$2,055,000; and
- 1,259,019 ordinary shares issued for conversion of debt of \$3,500,000.

	2023	2022
	\$	\$
<b>Share premium reserve</b>		
Carrying amount as of January 1	40,694,486	12,980,326
Allocation	13,194,062	27,714,160
Adjustment previous years	-53,752	-
Carrying amount as of December 31	53,834,796	40,694,486

	12/31/2023	12/31/2022
	\$	\$
<b>Legal and statutory reserves</b>		
Reserve for incorporation and share issue costs	2,465,862	2,637,204
Reserve applicable to warrants	151,110	166,575
Reserve applicable to stock options	18,555,183	15,347,394
Stock based compensation	-	-14,150
	21,172,155	18,137,023



	2023	2022
	\$	\$
<i>Reserve for incorporation and share issue costs</i>		
Carrying amount as of January 1	2,637,204	1,304,559
Allocation	-171,342	1,332,645
Carrying amount as of December 31	2,465,862	2,637,204
 <i>Reserve applicable to warrants</i>		
Carrying amount as of January 1	166,575	754,286
Exercised	-15,465	-587,711
Carrying amount as of December 31	151,110	166,575

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. Unexercised warrants were to expire in November 2023. On September 8, 2023 the Board of Directors approved an amendment to the outstanding warrant agreements, which all remaining warrant holders accepted. The amendment extended the remaining life of the warrants to November 9, 2024 and removed the option for cashless exercise. No other terms were changed.

On November 13, 2023, the Company issued 4,166,667 warrants, as a part of the Unit offering, valued using the residual method and an assigned value of \$0. The Warrants were exercisable immediately on the date of issuance until the fifth anniversary of the issuance date at a price of \$1.20 per share.

*Reserve applicable to stock options*

Carrying amount as of January 1	15,347,394	6,430,158
Allocation	3,207,789	8,917,236
Carrying amount as of December 31	18,555,183	15,347,394

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.

	2023	2022
	\$	\$
<i>Stock based compensation</i>		
Carrying amount as of January 1	-14,150	-28,300
Withdrawal	14,150	14,150
Carrying amount as of December 31	<u>-</u>	<u>-14,150</u>
<b>Other reserves</b>		
Carrying amount as of January 1	-31,537,535	-9,725,111
Allocation of financial year net result	-8,790,421	-20,479,779
Movement reserve for incorporation and share issue costs	171,342	-1,332,645
Miscellaneous movement	-22,873	-
Carrying amount as of December 31	<u>-40,179,487</u>	<u>-31,537,535</u>

	12/31/2023	12/31/2022
	\$	\$
<b>Convertible loans</b>		
Convertible promissory notes	5,520,000	-

On June 28, 2023, we entered into a Pre-Paid Advance Agreement (the "PPA"). Pursuant to the PPA, we may request that the Holder purchase from us up to \$50,000,000 (the "Commitment Amount") of promissory notes (each, a "Promissory Note"). The Holder will purchase each Promissory Note at 92% of the principal amount of that Promissory Note. On June 28, 2023, we sold the Holder a Promissory Note (the "Initial Promissory Note") in the principal amount of \$5,500,000 and received \$5,060,000, net of discount. On September 26, 2023, the Company issued a second Promissory Note of \$5,500,000 and received \$5,060,000, net of discount (the "Second Promissory Note").

Each Promissory Note matures one year from the date of its issuance. The Promissory Notes do not carry any interest, except if there is an event of default in which case the interest is 15% per annum. We may prepay a Promissory Note with at an 8% premium with advance written notice ranging between five business days and thirty calendar days prior to such prepayment, depending on the market price of our ordinary shares at the time of the notice.

The Promissory Notes are convertible at the Holder's discretion into our ordinary shares at a specific conversion price. In no event, however, shall the conversion price be less than a floor price of \$2.00, as may be adjusted for stock splits and other similar transactions (the "Floor Price").

Under the Promissory Notes, a "Trigger Event" occurs if the trading price of an ordinary share is lower than the applicable Floor Price for any five of seven consecutive trading days. Within five trading days of a Trigger Event, we must make a monthly cash payment to the Holder in connection with the Promissory Notes (the "Monthly Payment") equal to the lesser of (i) \$550,000, plus an 8% redemption premium on any principal being repaid plus any accrued and unpaid interest and (ii) all principal outstanding under all outstanding Promissory Notes, plus an 8% redemption premium on any principal being repaid plus any accrued and unpaid interest.

In November 2023, there was both a Trigger Event and default under the PPA and Promissory Notes. As a result, beginning in November 2023 the Company is incurring default interest of 15% per annum and is required to amortize the Notes with monthly cash payments. During November and December 2023, the Company paid \$1,100,000 in principal under the notes and associated 8% premium and 15% default interest.

During the year ended December 31, 2023, principal amounts of the Initial Promissory Note of \$3,500,000 was converted into 1,259,019 ordinary shares, at conversion prices ranging from \$2.00 to \$4.17.

**Accounts payable**

Creditors	1,469,668	398,625
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**Due to group companies**

Mainz Biomed Germany GmbH	311,047	-
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MAINZ BIOMED N.V.  
GERMANY

	<u>12/31/2023</u>	<u>12/31/2022</u>
	\$	\$
<b>Taxes and social security contributions</b>		
Payroll tax	<u>5,149</u>	<u>-</u>
<b>Other liabilities, accruals and deferred income</b>		
First Insurance Funding	-	423,322
Provision personnel costs	<u>382,600</u>	<u>-</u>
	<u>382,600</u>	<u>423,322</u>

5 NOTES TO THE PROFIT AND LOSS ACCOUNT 2023

	2023	2022
	\$	\$
<b>5. Employee expenses</b>		
Wages and salaries	328,000	333,827
Social security charges	29,593	31,250
Pension and early retirement expenses	16,085	16,956
	<u>373,678</u>	<u>382,033</u>

**Staff**

During 2023, two employees were employed on a full-time basis.

## 6 OTHER NOTES

### Recognition of the loss for 2023

The board of directors proposes to deduct the negative 2023 result from the other reserves for an amount of \$ 8,790,421. The General Meeting will be asked to approve the appropriation of the 2023 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, April 19, 2024

G. Bächler

M.R. Eidens

A. Libanori

H.J. Hekland

O.N. Holden

H. Dreismann

G.J. Tibbits