



*Non-binding unofficial translation of the original Dutch version*

**Biotalys NV**

**Buchtenstraat 11, 9051 Ghent**

**RPR BE 0508.931.185 (Ghent)**

**(the Company or Biotalys)**

**Special Report of the board of directors to the general meeting of shareholders of the Company in accordance with article 7:228 of the Belgian Code on Companies and Associations (BCCA)**

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**21 February 2024**

Current report was prepared by the board of directors of the Company (the “Board of Directors”) in accordance with Article 7:228 BCCA in view of the special general meeting of shareholders of the Company scheduled on 29 March 2024.

In accordance with Article 7:228 of the BCCA, a general meeting of shareholders of a company must be convened when, as a result of losses incurred, a company's net assets have fallen to less than half of the company's capital. The general meeting of shareholders shall be held within two months after the loss has been determined or should have been determined under legal or statutory provisions in order to decide on the dissolution of the company or on measures announced in the agenda to preserve the continuity of the company.

In the present case, the Board of Directors proposes to convene a special general meeting of shareholders of the Company scheduled on 29 March 2024 at which the Board of Directors proposes the continuation of the Company's activities.

It should be noted that at the occasion of an extraordinary general meeting to be held immediately following the annual shareholders meeting on 23 April 2024, the Board of Directors will propose to absorb the losses or part thereof through a reduction of the corporate capital and/or the issue premiums.

#### Net assets of the Company

At its meeting held on 21 February 2024, the Board of Directors determined that, based on statutory (non-consolidated) accounts (non-audited) made in Belgian GAAP a loss of EUR 20,014,723.17 was incurred during the accounting year 2023. Taking into account the carry-forward losses over the

accounting year 2022, this results in a total carry forward loss of EUR 41,585,512.06 at the end of December 2023.

Consequently, the Board of Directors also determined that due to these losses incurred, the Company's net assets amounted to EUR 22,751,230.29 as of 31 December 2023, compared to a capital on that date of EUR 46,198,455.95. The net assets are therefore less than half of the capital (49.25%).

#### Origin of the losses incurred

The aforementioned net asset situation is due to the losses incurred by the Company which are typical of the research and development phase in which the Company finds itself. Investments are being made in research and development, which entails the necessary costs, while there are currently no commercial revenues. This is in line with the business plan of the Company and typical for an Agtech company such as the Company which is in the research and development phase.

#### Measures to ensure continuity

From the start of its operations, the Company is aware that research and development costs will increase for a number of years before any prospect of commercial revenues is possible.

The Board of Directors reviewed and approved the necessary budgets and cash planning prepared by the Executive Committee for the operation of the Company in 2024 and 2025, taking into account available financial resources.

The Board of Directors believes that the restructuring measures that have already been adopted in 2023 combined with potentially obtaining additional financing through equity, grants, partnerships and/or other sources of financing should enable the Company to continue its operations.

In this regard, the Board of Directors points out the following elements:

- The Company's current situation is in line with the Company's proposed business plan. Furthermore, the Board of Directors has implemented a number of measures during 2023 to extend the financial runway of the Company. Based on this, the Company expects cash burn in 2024 to be lower than last year (2023: effective cash burn of €19.5 million), in view of the focus on the development of the platform and the pipeline, and the prudent managing of costs. Together with the cash and cash equivalents balance of €21.6 million at the end of 2023, the Company expects the financial runway to extend to end of April 2025 without considering any additional financing through equity, newly awarded grants, partnerships or other sources of financing.
- The Company has full control over its spendings and since there are few or no other significant long-term financial commitments of the Company besides labour agreements and lease obligations, management can timely and adequately reduce budgeted expenditures should this be necessary in the context of the Company's going concern or should it be necessary to have more time to obtain additional financing. Furthermore, the Company has not concluded any contractual obligations that would exceed its current cash reserves.
- In June 2023 the Company was able to secure additional financing for an amount of EUR 7 million by means of a private investment in a public equity ("PIPE"). Investors were the existing shareholders Agri Investment Fund BV and the Belgian Sovereign Wealth Fund (Federale Participatie- en Investeringsmaatschappij NV).

- The Board of Directors is of the opinion that the possibility of obtaining additional financing can be substantiated by the progress that the Company has made during 2023:
  - The Company entered into various collaborations (including with academic institutes) to further develop the technology platform and support the pipeline programs.
  - EVOCA™, Biotalys' first protein-based biocontrol candidate aimed at targeting botrytis bunch rot and powdery mildew in fruits and vegetables, continued to demonstrate its efficacy in extensive global field trials, both in the Company's own trial program as well as in independent academic trials in the U.S. The Company continues to work with the EPA (Environmental Protection Agency) in the U.S. and the CTGB (College voor de Toelating van Gewasbeschermingsmiddelen en Biociden) in Europe on EVOCA™ regulatory review. Pending the decision on the regulatory files, the Company continues to pave the way for its next generation of the product-candidate (EVOCA™ NG), a biofungicide program with the same bioactive as EVOCA™ but an optimized production process and formulation, leading to lower production costs which results in an attractive commercial potential.
  - Following a strategic review of the Company in Q3 of 2023, the company announced a shift to the AGROBODY™ 2.0 platform to develop its protein-based biocontrols for crop and food protection. This next-generation AGROBODY™ technology is aimed at increasing potency and efficacy of the Company's bioactive agents with multiple modes of action while lowering cost of goods.
  - Continued focus on the pipeline development:
    - **BioFun-4**, the biofungicide program targeting *Phytophthora infestans*, an Oomycete (water mould) that causes late blight/potato blight, a serious disease that particularly affects fruits and vegetable crops and potatoes, is progressing. The Company entered into a research collaboration with the University of Aberdeen within which the Company will sponsor a three-year PhD project in the Oomycete Laboratory of Prof. Pieter van West, Chair in Mycology, a leader in the field, to deepen its expertise in Oomycetes on the molecular level. This fits well with Biotalys' highly targeted strategy as the core of its AGROBODY™ 2.0 technology platform.
    - **BioFun-6**, the biofungicide program targeting botrytis, powdery mildew and anthracnose in fruits and vegetables, is in the final stages of discovery and lead molecules are expected to be tested in small scale field trials in the course of 2024.
    - **BioFun-7**, the biofungicide program in collaboration with the Bill & Melinda Gates Foundation, targeting leafspot disease in cowpeas and other legumes, is advancing as planned and supported by new academic collaborations with the lab of Prof. Dora Batista (Department of Sciences and Engineering of Biosystems) at the University of Lisbon, Portugal, and the lab of Prof. Ioannis Stergiopoulos at the University of California-Davis.

- **BioIns-2**, the collaboration in the bioinsecticide program.

In the current circumstances, it is reasonable to expect further progress in the pipeline development, the AGROBODY™ platform and the regulatory approval process of EVOCA™ and the development of existing partnerships or entering into new partnerships during 2024.

This progress should continue to help building an attractive business case and thereby attract investors or industry players for collaborations that can support the Company's operation in the following years.

Consequently, the Board of Directors proposes to continue the operations of the Company.

**For and on behalf of the Board of Directors**

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Simon E. Moroney

Chair of the Board of Directors

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Kevin Helash

Director – Chief Executive Officer