

Innovotech Inc.

Interim Financial Statements
(Unaudited)

**For the three and six-month periods ended
June 30, 2021 and 2020**

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, part 4, subsection 4.3(3)(a); if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditors.

Innovotech Inc.

Statements of Financial Position (Unaudited)

	June 30, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash and cash equivalents	576,574	530,144
Marketable securities	26,300	20,000
Trade and other receivables	190,772	143,514
Inventory	47,353	38,880
Prepaid expenses	23,607	20,187
	<u>864,606</u>	<u>752,725</u>
Equipment	95,798	69,715
Convertible debenture (note 4)	120,963	-
	<u>1,081,367</u>	<u>822,440</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	69,980	111,782
Deferred revenue	26,541	45,680
	<u>96,520</u>	<u>157,462</u>
Term loan	20,000	20,000
	<u>116,521</u>	<u>177,462</u>
Shareholders' Equity		
Share capital (note 5)	7,695,237	7,576,487
Warrants	159,543	159,543
Contributed surplus	1,546,769	1,531,576
Deficit	(8,436,703)	(8,622,628)
	<u>964,846</u>	<u>644,978</u>
	<u>1,081,367</u>	<u>822,440</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

(Signed) "Alan Savage" Director

(Signed) "James Timourian" Director

Innovotech Inc.

Statements of Changes in Shareholder's Equity (Unaudited)

	Share capital \$	Warrants \$	Shares to be issued \$	Contributed surplus \$	Deficit \$	Total \$
Balance – January 1, 2021	7,576,487	159,543	-	1,531,576	(8,622,628)	644,978
Net and comprehensive loss for the period	-	-	-	-	185,925	185,925
Shares issued	118,750	-	-	-	-	118,750
Shares based compensation	-	-	-	15,193	-	15,193
Balance – June 30, 2021	<u>7,695,237</u>	<u>159,543</u>	<u>-</u>	<u>1,531,576</u>	<u>(8,421,509)</u>	<u>964,846</u>
Balance – January 1, 2020	7,344,818	-	-	1,482,214	(8,728,945)	98,087
Net and comprehensive loss for the period	-	-	-	-	6,676	6,676
Exercise of options	7,750	-	-	-	-	7,750
Balance – June 30, 2020	<u>7,352,568</u>	<u>-</u>	<u>-</u>	<u>1,482,214</u>	<u>(8,722,269)</u>	<u>112,513</u>

The accompanying notes are an integral part of these financial statements.

Innovotech Inc.

Statements of Operations and Comprehensive Income

(Unaudited) For the three and six months ended June, 2021 and 2020

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Revenue (note 7)				
Contract research fees	379,499	291,881	593,749	360,797
Product sales	92,576	42,023	178,612	99,494
Other revenue	8,142	-	16,431	-
	<u>480,217</u>	<u>333,904</u>	<u>788,792</u>	<u>460,291</u>
Cost of sales				
Contract research	61,608	67,853	121,259	104,572
Product sales	33,346	20,760	54,369	42,258
	<u>94,954</u>	<u>88,613</u>	<u>175,628</u>	<u>146,830</u>
Gross profit	<u>385,263</u>	<u>245,291</u>	<u>613,164</u>	<u>313,461</u>
Operating expenses				
General and administrative	206,684	156,686	406,734	333,895
Sales and marketing	15,139	-	17,974	-
Research and development	4,255	4,164	9,117	12,830
Grants	-	(37,533)	-	(40,940)
	<u>226,078</u>	<u>123,317</u>	<u>433,825</u>	<u>305,785</u>
Interest expense	-	-	-	1,000
Interest income	(4,505)	-	(6,586)	-
Net financing (income)/expense	<u>(4,505)</u>	<u>-</u>	<u>(6,586)</u>	<u>1,000</u>
Net income and comprehensive income for the period	<u>163,690</u>	<u>121,974</u>	<u>185,925</u>	<u>6,676</u>
Basic and diluted income per common share	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

The accompanying notes are an integral part of these financial statements.

Innovotech Inc.

Statements of Cash Flows

(Unaudited) For the six months ended June 30, 2021 and 2020

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	185,925	6,676
Adjustments for:		
Amortization	8,942	7,546
Loss on disposal of equipment	-	93
Non-cash interest expense	-	1,000
Non-cash interest income	(2,212)	-
Share based compensation	15,193	-
	<u>207,848</u>	<u>15,315</u>
Net change in non-cash working capital items (note 6)	<u>(126,392)</u>	<u>68,582</u>
	<u>81,456</u>	<u>83,897</u>
Investing activities		
Purchase of equipment	<u>(35,026)</u>	<u>(28,836)</u>
	<u>(35,026)</u>	<u>(28,836)</u>
Financing activities		
Term loan	-	40,000
Exercise of options	-	7,750
Interest paid	-	(1,000)
	<u>-</u>	<u>46,750</u>
Increase in cash and cash equivalents	46,430	101,811
Cash and cash equivalents – Beginning of period	<u>530,114</u>	<u>96,671</u>
Cash and cash equivalents – End of period	<u>576,574</u>	<u>198,482</u>

The accompanying notes are an integral part of these financial statements.

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2021 and 2020

1 Nature of operations and use of the going concern assumption

Innovotech Inc. (the Company) is incorporated under the Business Corporation Act of Alberta. The primary activities of the Company are sales of its products, conducting contract research for outside customers and research and development to identify products for future commercialization. The Company's product is an assay used in growing microbial biofilms for research purposes. The Company is publicly traded and listed on the TSX Venture Exchange, and its registered office is in Edmonton, Alberta.

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In mid-March 2020, federal, provincial, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures continue to have a negative effect on the economies of all nations.

2 Basis of preparation

The Company prepares its financial statements in accordance with Part I of the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook) which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

These financial statements were approved by the Board of Directors for issue on August 24, 2021.

3 Significant accounting policies

There are no new or amended International Financial Reporting standards or interpretations that required adoption by the Company during the quarter.

4 Convertible debenture

On February 19, 2021 the Company acquired a \$150,000 8% convertible loan agreement with CanBiocin Inc. ("CanBiocin"), by way of an assignment from Lonsdale Capital Corporation ("Lonsdale"). Innovotech purchased all of Lonsdale's rights, title, and interest in and to the convertible loan, previously issued on April 13, 2020, with a \$150,000 principal amount outstanding and payable by CanBiocin. The convertible loan bears interest at 8% per annum, payable quarterly until April 13th, 2022 after which date principal is paid monthly in installments of \$3,125.00 together with interest calculated at 8% on the declining balance until the convertible loan is paid in full. At any time prior to April 15, 2025, the Company will have the option to convert the outstanding principal amount and interest outstanding under the convertible loan at a conversion price of \$1.25 per share of Canbiocin. The Company issued 625,000 common shares at a deemed price of \$0.24 per common share for a total deemed price of \$150,000. The common shares traded at a closing price of \$0.19 per share on February 19, 2021. The discount in the debenture will be recognized through comprehensive income on a straight-line basis of the remaining term.

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2021 and 2020

5 Share capital

a) Authorized

Unlimited number of Class A common, voting shares

Issued and outstanding

	2021		2020	
	#	\$	#	\$
Opening balance at January 1	36,274,612	7,563,397	36,239,612	7,344,818
Shares issued to acquire convertible debenture	625,000	118,750	-	-
Shares issued on option exercise	-	-	170,000	25,090
Shares issued in private placement			1,875,000	206,579
Closing balance	38,909,612	7,695,237	38,284,612	7,576,487

b) Stock options

The Company has an incentive stock option program (the Program) pursuant to which the Board of Directors of the Company may allocate non-transferable options to purchase common shares to directors, officers, employees and consultants of the Company. The aggregate number of common shares that may be available for issuance from time to time under the Program is not to exceed ten (10%) percent of the number of common shares issued and outstanding in the capital of the Company, calculated on a fully diluted basis. Options granted under the Program must have an exercise price not less than the market value of the common shares (less any permissible discount) at the grant date and vest over a period of one year or as otherwise resolved by the Board of Directors. These options are exercisable for a period of up to ten years from the date of grant, unless otherwise resolved by the Board of Directors. For purposes of the option pricing model, expected volatility is calculated based on the most recent historical period equal to the option's expected term.

The Company recognized share based compensation expense of \$15,193 for the six months ended June 30, 2021 (2020 – \$nil).

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2021 and 2020

2021 transactions

On April 22, 2021, the Company granted to certain employees 115,000 stock options at an exercise price of \$0.14 with an expiry date of April 22, 2026. These stock options vest immediately. The estimated fair value of these options is \$0.1321 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	169.21%
Risk-free interest rate	1.52%
Expected life of options	5 years

6 Net change in non-cash working capital items

	2021	2020
	\$	\$
Marketable securities	(6,300)	-
Trade and other receivable	(47,258)	67,155
Inventory	(8,473)	(24,450)
Unbilled revenue	-	(20,810)
Prepaid expenses	(3,420)	(3,114)
Accounts payable and accrued liabilities	(41,802)	(9,422)
Deferred revenue	(19,139)	59,223
	<u>(126,392)</u>	<u>68,582</u>

7 Geographic information

Geographic information about the Company's revenue is based on the product shipment destination and, for contract research, on the location of the contracting organization.

	<u>Three-month period ended</u>		<u>Six-month period ended</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	2021	2020	2021	2020
	\$	\$	\$	\$
Canada	24,525	18,729	49,565	30,785
United States	418,710	287,933	651,851	374,307
Rest of world	36,982	27,242	87,376	55,199
	<u>480,217</u>	<u>333,904</u>	<u>788,792</u>	<u>460,291</u>

All of the Company's equipment and intangible assets are located in Canada.