

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Financial Condition and Results of Operations for the Three Months Ended March 31st 2022 (As of May 24<sup>th</sup>, 2022)

This MD&A and other materials filed with the Canadian securities regulators contain forward-looking statements that are subject to risks and uncertainties that cannot be predicted or quantified; actual results may differ materially from past results and those expressed or implied by any forward-looking statements. Forward-looking statements may include words such as “expects”, “plans”, “will”, “believes”, “estimates”, “intends”, “may”, and other words of similar meaning and may relate to future financial performance, business strategies, or safety and efficacy of unapproved products. Such forward-looking statements are subject to risks, uncertainties, and other factors, many of which are beyond the control of Innovotech.

Factors that could cause or contribute to such risks or uncertainties include, but are not limited to the regulatory environment including the difficulty of predicting regulatory outcomes; changes in the value of the Canadian dollar; the Company's reliance on a small number of customers including government organizations; the demand for new products and the impact of competitive products, service and pricing; availability and cost of raw materials; fluctuations in operating results; government policies or actions; progress and cost of clinical trials; reliance on key strategic relationships; uncertainty related to intellectual property protection and potential costs associated with its defense; the Company's exposure to lawsuits and other matters beyond the control of management; the impact of the adoption of new accounting standards on the Company's financial results.

Scientific information that relates to unapproved products or unapproved uses of products is preliminary and investigative. No conclusions can or should be drawn regarding the safety or effectiveness of such products. Only regulatory authorities can determine whether products are safe and effective for the uses being investigated.

The cautionary statements referred to above should be considered in connection with all written or oral statements, especially forward-looking statements that are made by the Company or by persons acting on its behalf and in conjunction with its periodic filings with Securities Commissions, including those contained in the Company's news releases. Should known risks or unknown risks or uncertainties materialize, or should management's assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly make or update any forward-looking statements, except as required by applicable law.

## CONTENTS

Overview	2	About CanBiocin Inc	6
Business Strategy & Marketing			
Overall Performance Three Months Ended 03/31/22	3	About Nou Life Sciences Inc	7
		Contractual Obligations	
Summary of Q1 Results (to 03/31/22)	3	Summary of Innovotech Shares Issued	
Q1 Financial Results of Operations (to 03/31/22)		Outstanding Share Capital	
		Outstanding Stock Options	
EBITDA	4	Geographic Sales Information	8
Assets, Liabilities, & Shareholder's Equity		Risk Management	
Liquidity & Capital Resources	5		
Outlook		Significant Estimates & Judgements	9
Selected Quarterly Financial Information	6		

*The following Management Discussion and Analysis (MD&A) of results of operations and financial position as of May 24<sup>th</sup>, 2022, should be read in conjunction with the audited financial statements of Innovotech Inc. ("Innovotech", "we", or "the Company") for the year ended December 31, 2021, and the related notes thereto.*

*This MD&A is provided by management using information available up to May 24<sup>th</sup>, 2022. Management is responsible for the information contained in the MD&A and its consistency with information presented, reviewed, and approved by the Audit Committee and Board of Directors*

*Additional information pertaining to the Company can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) web site at [www.sedar.com](http://www.sedar.com), or at [www.innovotech.ca](http://www.innovotech.ca).*

## OVERVIEW

### OVERVIEW OF THE BUSINESS

Innovotech Inc. was incorporated in 2001 under the Business Corporation Act of Alberta. The activities of the Company are sales of its products, contract research conducted for outside clients and research and development to identify future products. The Company owns, sells, and uses proprietary assay kits used in growing microbial biofilms for research purposes. The Company's intellectual property includes a family of silver periodate antimicrobial compounds (InnovoSIL™) for medical applications, and a right to acquire a linked molecule to be tested for effective subdermal antioxidant delivery. The Company is a public company listed on the TSX Venture Exchange under the trading symbol IOT. Its registered office and laboratories are in Edmonton, Alberta, Canada.

### BUSINESS STRATEGY AND MARKETING

The Company has two businesses: contract research, and production and sale of the MBEC Assay® Kit.

In its contract research business, the Company is a leader in a niche market related to testing and qualifying medical devices such as implants and other products for their susceptibility to, or resistance to the formation of microbial biofilms. Innovotech has methodologies, equipment, and twenty years of experience that give it certain proprietary advantages and efficiencies. Innovotech is accredited by CALA (Canadian Association for Laboratory Accreditation Inc.) to ISO/IEC 17025 (testing accreditation number A4146 for Enumerating Bacteria – Solids and Enumerating Bacteria – Liquid).” The Company designs and builds devices tailored to testing client-specific types of medical devices.

Innovotech manufactures and sells the MBEC Assay® Kit, a sort of Petri Dish for biofilms, which keeps its name in the forefront of research and medical device testing in regard to microbial biofilms as outlined above. The consistent revenues from global sales of the Kits help mitigate the volatility inherent in our contract research business. The association of the Kit with its contract research services contributes effectively to Innovotech's contract research marketing efforts. The Company applies proprietary coatings on Kits tailored to laboratory testing requirements.

The Company has pursued new contract research business by direct contact using e-mail and telephone communication supported by personal visits and conference attendances (paused during Covid-19) to maintain and expand our clientele. Rising revenues in 2019 and 2020 indicate that this approach has been effective. Contributing to industry awareness of Innovotech's research capabilities is our publishing from time-to-time of Open Access research papers authored by Innovotech's staff either alone or in partnership with other science-based organizations. We continue our program of designing novel testing devices with which to enhance the effectiveness of our microbial biofilm contract research.

Innovotech has resumed research and development for its own account. The Company is working on a patented procedure to link two well-known anti-oxidants for better subdermal delivery in application of creams formulated for skin care and is furthering its work with silver as an anti-bacterial agent.

Innovotech is alert for participation in other related business activities and continues to look for opportunities to diversify its business, extend its reach and increase its revenues. This strategy is supported by the Company's December 31<sup>st</sup>, 2021, long-term tax pools of \$7,485,000 available to reduce future net income for tax purposes.

## OVERALL PERFORMANCE IN THE THREE MONTHS ENDED MARCH 31<sup>ST</sup>, 2022 (Q1)

### SUMMARY OF Q1 RESULTS TO MARCH 31<sup>ST</sup>, 2022:

First quarter revenue of \$276,648 compared unfavorably with Q1 2021 revenue of \$308,575, declining by \$31,927 or 10% in spite of \$28,565 of revenue having been deferred from 2021 into the current Q1. It is not unusual for Innovotech's first quarter revenue to comprise the weakest quarter of the fiscal year. On the other hand, it should be the case that each Innovotech first quarter should show improvement from the prior year's first quarter. Management and the Board of Directors will work toward that end in future Q1 outcomes.

Both product sales and contract research revenues declined. The Company believes that the decline in product revenue was consequent on quarterly inventory building in 2021 by our clients on account of the well-advertised global supply chain issues. Sales of products were down by 23% to \$66,229. Contract research service fees declined by 9% to \$194,182.

The lower level of Q1 business activity did allow for Quality, Safety and HR systems to be updated, for continued development of new testing platforms, and for a management focus on increasing the marketability of current testing platforms with a view to favorably impacting the remainder of 2022.

### Q1 FINANCIAL RESULTS OF OPERATIONS TO MARCH 31<sup>ST</sup>, 2022

Operating expenses continue to reflect the Company's emphasis on controlling costs. However, Innovotech's higher employee count and the 2021 increase in laboratory space had an effect: Q1 2022 cost of sales was 33% of revenue versus 26% of revenue in the prior period. Equally, first quarter general and administrative expenses were 77% of revenues in the current period versus 65% in the prior period. These margins were more a reflection of lower revenues than of higher costs, as the G & A and cost of sales combined increased by only 8%, or \$23,624 above the prior year's Q1 G&A and cost of sales.

Nonetheless, the combination of lower revenues and higher costs provided for a net loss in Q1 of \$32,287 vs. a net profit of \$22,235 in Q1 of 2021.

### REVENUE & GROSS PROFIT

<b>Period</b>	<b>Q1 2022</b>	<b>Q1 2021</b>
Contract research fees	194,182	214,250
Product sales	66,229	86,036
Other revenue	16,237	8,289
<b>Gross revenue</b>	<b>276,648</b>	<b>308,575</b>
Cost of sales	91,268	80,674
<b>Gross profit</b>	<b>185,380</b>	<b>227,901</b>

## OPERATING EXPENSES & NET INCOME

Period	Q1 2022	Q1 2021
General & administrative	213,080	200,050
Sales & marketing	79	2,835
Research & development (R&D)	6,494	4,862
<b>Operating expenses</b>	<b>219,653</b>	<b>207,747</b>
Interest expense	(1,730)	(2,081)
Interest income	3,716	-
<b>Net income</b>	<b>(32,287)</b>	<b>22,235</b>

## EBITDAS

EBITDAS, or earnings before interest, taxes, depreciation, amortization, and stock-based compensation, is not a Generally Accepted Accounting Principle (GAAP); but it is a useful measure of comparative operational performance over quarterly and annual time periods. In Innovotech's case, EBITDAS and cash flow (also not a GAAP term) are almost the same thing on account of having no debt on which interest is paid and being able to access prior year's losses to reduce net income for tax purposes.

Period	Q1 2022	Q1 2021
Net income	(32,287)	22,235
Depreciation and amortization	27,532	3,980
Non-cash interest expense (income)	1,730	-
Interest income	(2,532)	(699)
Share-based compensation	-	-
Term loan forgiveness	-	-
<b>EBITDAS</b>	<b>(5,557)</b>	<b>25,516</b>

## ASSETS, LIABILITIES & SHAREHOLDERS' EQUITY

During the first quarter, working capital decreased from \$774,521 at December 31<sup>st</sup>, 2021 to \$739,463 at March 31<sup>st</sup>, 2022 largely reflecting the quarterly loss. Accounts receivable reduced by \$177,821 from \$368,931 to \$191,110 resulting in an increase in the Company's cash at quarter end to \$552,741. Current assets include listed, marketable securities of \$69,587 as of May 24<sup>th</sup>, 2022 as outlined in the Liquidity & Capital Resources review, below.

Current liabilities decreased to \$177,749 from \$219,009 largely due to a reduction in accounts payable and reduction in deferred revenue liabilities of \$28,565 in Q1 of the prior year to \$1,331 at the end of the current quarter.

Shareholders' equity decreased to \$1,144,643 from \$1,176,930 in line with the loss incurred in the current quarter.

Period	March 31 <sup>st</sup> , 2022	Dec. 31 <sup>st</sup> , 2021
Current assets	917,212	993,530
Equipment	210,105	229,443
Investments	210,000	210,000
<b>Total assets</b>	<b>1,337,317</b>	<b>1,432,973</b>
Current liabilities	177,749	219,009
Lease liabilities	14,925	37,034
<b>Total liabilities</b>	<b>192,674</b>	<b>256,043</b>
<b>Shareholders' equity</b>	<b>1,144,643</b>	<b>1,176,930</b>

## LIQUIDITY & CAPITAL RESOURCES

The Company continued to maintain a strong balance sheet at March 31<sup>st</sup>, 2022, having cash of \$552,741 and marketable securities in the amount of \$72,980 in the form of TSX listed debentures as below. Reflecting higher interest rates and higher interest rate expectations, value as at May 24 had declined to \$69,587 not including accrued interest.

Amount (\$)	Debenture	Maturity	Price	Annual Income (\$)
15,000	Good Natured Products 7%	31 Oct, 2026	96.00	1,050
25,000	Rogers Sugar 5%	31 Dec, 2024	101.00	1,250
30,000	Slate Office REIT 5.25%	28 Feb, 2023	100.00	1,575

The Company has working capital of \$739,463 and no formal debt. Accordingly, the Company is adequately funded to conduct its business and to meet its obligations in the ordinary course as they come due.

## OUTLOOK

Innovotech is unable to accurately gauge the longer-term effects of the COVID-19 pandemic on operations of the company. However, the Company has stayed fully operational during the pandemic and will use its best efforts to continue to do so. See "Covid-19 risk" under Risk Management.

While Innovotech underperformed in its first quarter to March 31<sup>st</sup>, the Company does not expect that result to be indicative of the remaining three quarters of the 2022 year. We remind shareholders that there is volatility inherent in contract research work. This volatility is evident in the comparative tables provided below. Our revenue trend can vary materially on a quarterly basis, with the current quarter often being the weakest quarter of the year.

The Company's renewed proprietary research and product development initiatives are generating discussion with old and new clients regarding innovative work in our anti-microbial field. We have recently generated new testing devices and protocols. We will be rolling these out over the balance of the 2022 year. We also see active interest in partner collaborations on new applications for InnovoSIL-1 following on past non-disclosure and material transfer agreements and have every reason to be optimistic toward advancing this active interest to the agreement stage.

The Company intends to maintain its focus on growing its business and revenues while being alert to opportunities to expand the business through acquisition and investment.

## SELECTED QUARTERLY FINANCIAL INFORMATION

2022	Q1, 2022
	\$
Gross revenue	276,648
<b>Net income (loss)</b>	<b>(32,287)</b>
<b>Income (loss) per share</b>	<b>(0.000)</b>
Assets	1,337,317
Liabilities	192,674
Shareholder's equity	1,144,643

2021	Q4, 2021	Q3, 2021	Q2, 2021	Q1, 2021
	\$	\$	\$	\$
Gross revenue	456,218	236,757	480,217	308,575
<b>Net income (loss)</b>	<b>202,677</b>	<b>(21,472)</b>	<b>163,690</b>	<b>22,235</b>
<b>Income (loss) per share</b>	<b>0.005</b>	<b>(0.0005)</b>	<b>0.004</b>	<b>0.0006</b>
Assets	1,432,973	1,110,466	1,081,367	964,144
Liabilities	256,043	167,092	116,520	178,181
Shareholder's equity	1,176,930	943,374	964,847	785,963

2020	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020
	\$	\$	\$	\$
Gross revenue	381,615	351,476	333,904	126,387
<b>Net income (loss)</b>	<b>6,423</b>	<b>93,218</b>	<b>121,974</b>	<b>(115,298)</b>
<b>Income (loss) per share</b>	<b>0.0002</b>	<b>0.002</b>	<b>0.003</b>	<b>(0.003)</b>
Assets	822,440	878,107	379,109	238,882
Liabilities	177,462	302,004	266,596	256,093
Shareholder's equity	644,978	576,103	112,513	(17,211)

## ABOUT CANBIOCIN INC

CanBiocin was a spin-off from the University of Alberta, and first commercialized Micocin®, a probiotic metabolite used to inhibit the growth of *Listeria monocytogenes* in processed meat products. CanBiocin receives annual royalties on sales of Micocin®. In 2016, CanBiocin turned its R & D focus toward probiotics targeted at improving the health of companion animals. In 2018 it began to commercialize its probiotics. CanBiocin is now a global leader in species-specific companion animal and livestock probiotic development. With a mission to build health from the inside out, the company targets overall microbiome health to support all animal body systems and functions. As of the date of this MD&A, Innovotech holds 120,000 CanBiocin shares.

Today, CanBioticin's premium canine probiotics, other companion animal probiotic lines, and avian and animal livestock probiotics help owners to care for their pets and global feed companies to fill their customers' needs. CanBioticin has a rapidly growing list of customers in both North America and internationally and can be found online at [www.canbiocin.ca](http://www.canbiocin.ca).

As noted previously herein, Innovotech has recorded an increase in the FMV of its CanBioticin investment in recognition of its high growth rate and recent \$1.75 share financing and now carries the CanBioticin shares at a fair market valuation of \$1.75 per share. We are optimistic in regard to the future value of this investment.

## **ABOUT NOU LIFE SCIENCES INC.**

The Company has the right, but not the obligation to earn a 60% interest in the issued capital of Nou Life Sciences Inc by spending \$100,000 prior to February 2023 on development of the Nou Life patent. The Nou Life patent rests on the linking of alpha-lipoic acid and L-carnitine into one molecule. Lipoic acid and Carnitine are well known antioxidants that have applications in health care related to skin products. The linking of the two molecules has been indicated by Nou Life to increase the beneficial properties of the separate molecules by improving their transdermal penetration, which is necessary to perform subdermal antioxidant activity toward a healthier skin. The objective of the earn-in Agreement is to confirm performance of the linked molecules toward a more effective antioxidant in skincare applications. Innovotech's research and testing of the linked molecules will seek to confirm that they improve function in skin treatment sufficiently to encourage their use in nutraceutical and cosmetic applications. Innovotech will also investigate the indicated extent of the molecule's skin penetration in anticipation of a positive effect on nerve cell reinvigoration for treatment of neuropathy.

The Company has worked to establish a linking of the molecules using a contract chemistry laboratory in Edmonton. This has been achieved, and work is now focused on improving the link and ensuring that the linking agent to be used is generally regarded as safe for and compatible with the intended use of the end product.

The nature of the Nou Life transaction enables the Company to control the pace and extent of its investment in a manner that reduces the inherent risk in developing new technology. As of the date of this MD&A, we have incurred additional direct costs of \$33,075 in R & D in respect of the Nou Life agreement, which will appear as an expensed R&D cost in Innovotech's 2022 second quarter financial statements.

## **CONTRACTUAL OBLIGATIONS**

The Company has no contractual obligations.

## **OUTSTANDING SHARE CAPITAL**

As at the date of this MD&A, there are 38,909,612 Class A common shares issued out of an unlimited number of Class A voting shares.

## **OUTSTANDING STOCK OPTIONS**

The Company has 1,845,000 incentive stock options issued.



## GEOGRAPHIC SALES INFORMATION

	Three-month period ended		Twelve-month period ended	
	March. 31 <sup>st</sup> , 2022 \$	March 31 <sup>st</sup> 2021 \$	Dec. 31 <sup>st</sup> 2021 \$	Dec. 31 <sup>st</sup> 2020 \$
Canada	19,870	25,040	61,050	35,451
United States	209,110	233,140	1,243,581	1,106,582
Rest of World	47,669	50,394	177,136	141,348
	<b>276,649</b>	<b>308,574</b>	<b>1,481,767</b>	<b>1,193,381</b>

## RISK MANAGEMENT

Innovotech recognizes currency risk, credit risk and liquidity risk as primary risks.

Innovotech's objectives when managing capital are to ensure its ability to continue as a going concern while attempting to maximize return to shareholders by minimizing shareholder dilution in a manner consistent with maintaining adequate working capital, equipment, and facilities while maintaining optionality in the Company's operations.

### CURRENCY RISK:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's reporting currency is the Canadian dollar, and it incurs costs primarily in that currency. It realizes its revenues primarily in US dollars. A rising Canadian dollar in US dollar terms would lead to decrease in the Company's revenue all other things being equal. The Company does not use derivative instruments to hedge its exposure to foreign currency risk.

### CREDIT RISK:

The Company is exposed to credit risk through its cash and accounts receivable.

The Company's principal credit risk is the risk that a counterparty will fail to discharge its financial obligation in payment for the Company's services. The Company endeavors to mitigate credit risk to ½ its contract research revenues as it requires that 50% of the estimated cost of its contracts be paid prior to beginning work on a contract. We do not insure our credit risks.

### LIQUIDITY RISK:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

We manage accounts payable against accounts receivable and carry a balance of cash to accommodate that. Innovotech's planned 2022 operational expenditures do not exceed its committed sources of funds and are manageable against the Company's expected revenues and expenses. As of March 31<sup>st</sup>, 2022, our

current assets were \$917,212 and our current liabilities were \$177,749 providing a working capital balance of \$739,463.

#### COVID-19 RISK:

In addition to the above financial risks, Innovotech is aware of risks attached to the COVID-19 pandemic. The COVID-19 outbreak has forced many businesses to close, leading to an unprecedented disruption of business in many sectors. Innovotech has put in place risk mitigation measures to separate people from each other through physical distancing including physical barriers. Innovotech requires that employees stay at home if feeling ill with possible symptoms of COVID-19 until criteria to discontinue isolation have been met. In addition, we have posted highly visible signage to discourage employees/clients from entering the workplace unless they feel well. In addition to wearing medical masks in the workplace, management has provided increased access to hand sanitizer dispensers and established increased environmental cleaning and disinfecting protocols for employees' work environments.

#### **SIGNIFICANT ESTIMATES & CRITICAL JUDGEMENTS**

The preparation of interim financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Non-financial assets, including equipment, are reviewed for indicators of impairment at each reporting date. Where impairment indicators are identified, the Company uses discounted cash flow models to determine the recoverable amount of the assets, which drives the conclusion of whether the impairment exists, and if it does, the amount of impairment to record. These models require assumptions to be formulated about future cash flows, margins, and discount rates, which are made using careful judgment, but are nonetheless subject to estimation risk.

Determining the fair value of stock options and warrants requires judgment related to the choice of a pricing model, the estimation of expected stock price volatility, and the expected term of the instrument. Any changes in the estimates utilized to determine fair value could result in a significant change in the amount of share-based compensation charged to operations.

The significant accounting policies that are most critical in fully understanding and evaluating the reported results in this MD&A are included in notes 1 to 3 to the Company's Annual Financial Statements as of December 31, 2021.

End.