

Innovotech Inc.

Interim Financial Statements
(Unaudited)

**For the three and six-month periods ended
June 30, 2022 and 2021**

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, 2022	December 31, 2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	646,679	422,419
Marketable securities	72,907	72,199
Trade and other receivables	97,886	368,931
Inventory	45,767	59,779
Unbilled revenue	4,495	-
Prepaid expenses	59,174	56,315
	<u>926,908</u>	<u>993,530</u>
Equipment	188,289	229,443
Investment	<u>210,000</u>	<u>210,000</u>
	<u>1,325,197</u>	<u>1,432,973</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	73,939	105,241
Deferred revenue	88,849	28,565
Current portion of lease liability	24,775	85,203
	<u>187,563</u>	<u>219,009</u>
Lease liability	<u>55,498</u>	<u>37,034</u>
	<u>243,061</u>	<u>256,043</u>
Shareholders' Equity		
Share capital (note 5)	7,695,237	7,695,237
Warrants	159,543	159,543
Contributed surplus	1,577,648	1,577,648
Deficit	<u>(8,350,292)</u>	<u>(8,255,498)</u>
	<u>1,082,136</u>	<u>1,176,930</u>
	<u>1,325,197</u>	<u>1,432,973</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 Deficiency (Unaudited)

	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance – January 1, 2022	7,695,237	159,543	1,577,648	(8,255,498)	1,176,930
Net and comprehensive income (loss) for the period	-	-	-	(94,794)	(94,794)
Balance – June 30, 2022	<u>7,695,237</u>	<u>159,543</u>	<u>1,577,648</u>	<u>(8,350,292)</u>	<u>1,082,136</u>
Balance – January 1, 2021	7,576,487	-	1,531,576	(8,622,628)	644,978
Net and comprehensive income (loss) for the period	-	-	-	185,925	185,925
Shares issued	118,750	-	-	-	118,750
			15,193		15,193
Balance – June 30, 2021	<u>7,695,237</u>	<u>159,543</u>	<u>1,531,576</u>	<u>(8,421,509)</u>	<u>964,846</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, 2022 and 2021

	Three-month period ended		Six-month period ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Revenue				
Contract research fees	199,207	379,499	393,389	593,749
Product sales	60,377	92,576	126,606	178,612
Other revenue	-	-	16,237	16,431
	<u>259,584</u>	<u>480,217</u>	<u>536,232</u>	<u>788,792</u>
Cost of sales				
Contract research	56,836	61,608	102,876	121,259
Product sales	<u>21,419</u>	<u>33,346</u>	<u>66,647</u>	<u>54,369</u>
	<u>78,255</u>	<u>94,954</u>	<u>169,523</u>	<u>175,628</u>
Gross profit	<u>181,329</u>	<u>385,263</u>	<u>366,709</u>	<u>613,164</u>
Operating expenses				
General and administrative	207,563	206,684	420,643	406,734
Sales and marketing	<u>258</u>	<u>15,139</u>	<u>337</u>	<u>17,974</u>
Research and development	<u>39,302</u>	<u>4,255</u>	<u>45,796</u>	<u>9,117</u>
	<u>247,123</u>	<u>226,078</u>	<u>466,776</u>	<u>433,825</u>
Interest expense	1,416	-	3,146	-
Interest income	<u>(4,703)</u>	<u>(4,505)</u>	<u>(8,419)</u>	<u>(6,586)</u>
Net financing (income)/expense	<u>(3,287)</u>	<u>(4,505)</u>	<u>(5,273)</u>	<u>(6,586)</u>
Net income (loss) and comprehensive income (loss) for the period	<u>(62,507)</u>	<u>163,690</u>	<u>(94,794)</u>	<u>185,925</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, 2022 and 2021

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	(94,794)	185,925
Adjustments for:		
Amortization	55,359	8,942
Non-cash interest expense	3,146	-
Non-cash interest income	(2,533)	(2,212)
Share based compensation	-	15,193
	<u>(38,822)</u>	<u>207,848</u>
Net change in non-cash working capital items (note 5)	<u>322,396</u>	<u>(126,392)</u>
	<u>283,574</u>	<u>81,456</u>
Investing activities		
Purchase of equipment	<u>(14,204)</u>	<u>(35,026)</u>
	<u>(14,204)</u>	<u>(35,026)</u>
Financing activities		
Lease liability repaid	<u>(45,110)</u>	<u>-</u>
	<u>(45,110)</u>	<u>-</u>
Increase in cash and cash equivalents	224,260	46,430
Cash and cash equivalents – Beginning of period	<u>422,419</u>	<u>530,114</u>
Cash and cash equivalents – End of period	<u>646,679</u>	<u>576,574</u>

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

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2022 and 2021

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 current products include a family of silver periodate antimicrobial compounds (InnovoSIL™) for medical application as well as 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.

In March 2020 the World Health Organization ("WHO") declared the outbreak of a novel coronavirus, identified as "COVID-19", as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity markets. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

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 16th, 2022.

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 Share capital

a) 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

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(Unaudited) June 30, 2022 and 2021

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 \$nil for the six months ended June 30, 2022 (2021 – \$15,193).

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	

5 Net change in non-cash working capital items

	2022	2021
	\$	\$
Marketable securities	(708)	(6,300)
Trade and other receivable	271,045	(47,258)
Inventory	14,012	(8,473)
Unbilled revenue	9,392	-
Prepaid expenses	(2,859)	(3,420)
Accounts payable and accrued liabilities	(31,302)	(41,802)
Deferred revenue	60,284	(19,139)
	<hr/>	<hr/>
	319,864	(126,392)
Less: accrued interest income included in trade and other receivables	2,532	-
	<hr/>	<hr/>
	322,396	(126,392)

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6 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>	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Canada	5,675	24,525	25,545	49,565
United States	223,035	418,710	432,145	651,851
Rest of world	30,873	36,982	78,542	87,376
	<u>259,583</u>	<u>480,217</u>	<u>536,232</u>	<u>788,792</u>

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