

**Innovotech Inc.**

Interim Financial Statements  
(Unaudited)

**For the three and nine-month periods ended  
September 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)

	September 30, 2022	December 31, 2021
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	465,455	422,419
Marketable securities	81,032	72,199
Trade and other receivables	236,315	368,931
Inventory	38,373	59,779
Unbilled revenue	-	13,887
Prepaid expenses	32,909	56,315
	<u>854,084</u>	<u>993,530</u>
<b>Property and equipment</b>	194,405	229,443
<b>Investment</b>	210,000	-
<b>Convertible debenture</b>	-	210,000
	<u>1,258,489</u>	<u>1,432,973</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	75,367	105,241
Deferred revenue	478	28,565
Current portion of lease liability	58,816	85,203
	<u>134,661</u>	<u>219,009</u>
<b>Lease liability</b>	-	37,034
	<u>134,661</u>	<u>256,043</u>
<b>Shareholders' Deficiency</b>		
<b>Share capital</b> (note 5)	7,695,267	7,695,237
<b>Warrants</b>	159,543	159,543
<b>Contributed surplus</b>	1,577,648	1,577,648
<b>Deficit</b>	8,308,600	(8,255,498)
	<u>1,123,828</u>	<u>1,176,930</u>
	<u>1,258,489</u>	<u>1,432,973</u>

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

**Approved by the Board of Directors**

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(Signed) "Alan Savage" Director

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(Signed) "James Timourian" Director

## Innovotech Inc.

### Statements of Changes in Shareholder's Deficiency (Unaudited)

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	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – January 1, 2022</b>	7,695,237	159,543	1,577,648	(8,255,498)	1,176,930
Net and comprehensive loss for the period	-	-	-	(53,102)	(53,102)
<b>Balance – September 30, 2022</b>	<u>7,695,237</u>	<u>159,543</u>	<u>1,577,648</u>	<u>(8,308,600)</u>	<u>1,123,828</u>
<b>Balance – January 1, 2021</b>	7,576,487	159,543	1,531,576	(8,622,628)	644,978
Net and comprehensive income for the period	-	-	-	164,453	164,453
Share based compensation	-	-	15,193	-	15,193
	<u>118,750</u>				<u>118,750</u>
<b>Balance – September 30, 2021</b>	<u>7,695,237</u>	<u>159,543</u>	<u>1,546,769</u>	<u>(8,458,175)</u>	<u>943,374</u>

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

# Innovotech Inc.

## Statements of Operations and Comprehensive Loss

(Unaudited) For the three and nine months ended September, 2022 and 2021

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>September 30, 2022 \$</u>	<u>September 30, 2021 \$</u>	<u>September 30, 2022 \$</u>	<u>September 30, 2021 \$</u>
<b>Revenue</b>				
Contract research fees	293,508	155,444	686,897	749,193
Product sales	47,019	73,196	173,625	251,808
Other revenue	-	8,117	16,237	24,548
	<u>340,527</u>	<u>236,757</u>	<u>876,759</u>	<u>1,025,549</u>
<b>Cost of sales</b>				
Contract research	63,284	64,005	166,160	185,264
Product sales	<u>31,052</u>	<u>15,357</u>	<u>97,699</u>	<u>69,726</u>
	94,336	79,362	263,859	254,990
<b>Gross profit</b>	<u>246,191</u>	<u>157,395</u>	<u>612,900</u>	<u>770,559</u>
<b>Operating expenses</b>				
General and administrative	197,717	178,880	618,360	585,614
Sales and marketing	641	-	978	-
Research and development	<u>7,483</u>	<u>5,302</u>	<u>53,279</u>	<u>32,393</u>
	<u>205,841</u>	<u>184,182</u>	<u>672,617</u>	<u>618,007</u>
Interest expense	1,097	-	4,243	-
Interest income	<u>(2,439)</u>	<u>(5,315)</u>	<u>(10,858)</u>	<u>(11,901)</u>
Net financing (income)/expense	<u>(1,342)</u>	<u>(5,315)</u>	<u>(6,615)</u>	<u>(11,901)</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<u>41,692</u>	<u>(21,472)</u>	<u>(53,102)</u>	<u>164,453</u>
<b>Basic and diluted income (loss) per common share</b>	<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 nine months ended September 30, 2022 and 2021

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	2022 \$	2021 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net profit (loss) for the period	(53,102)	164,453
Adjustments for:		
Amortization	83,709	14,773
Non-cash interest expense	4,243	-
Non-cash interest income	(2,533)	(2,212)
Share based compensation	-	15,193
	<u>32,317</u>	<u>192,207</u>
Net change in non-cash working capital items (note 5)	<u>127,053</u>	<u>(140,984)</u>
	<u>159,370</u>	<u>51,223</u>
<b>Investing activities</b>		
Purchase of equipment	<u>(48,670)</u>	<u>(40,960)</u>
	<u>(48,670)</u>	<u>(40,960)</u>
<b>Financing activities</b>		
Lease liability repaid	<u>(67,664)</u>	<u>-</u>
	<u>(67,664)</u>	<u>-</u>
<b>Increase (decrease) in cash and cash equivalents</b>	43,036	10,263
<b>Cash and cash equivalents – Beginning of period</b>	<u>422,419</u>	<u>530,144</u>
<b>Cash and cash equivalents – End of period</b>	<u>465,455</u>	<u>540,407</u>

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

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) September 30, 2022 and 2021

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### 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 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.

### 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 November 15, 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 as 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 \$nil for the nine months ended September 30, 2022 (2021 – \$15,193).

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) September 30, 2022 and 2021

### 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	(8,833)	(37,300)
Trade and other receivable	132,616	(66,146)
Inventory	21,406	(19,866)
Unbilled revenue	13,887	-
Prepaid expenses	23,406	(7,302)
Accounts payable and accrued liabilities	(29,874)	(40,830)
Deferred revenue	(28,087)	30,460
	124,521	(140,984)
Less: accrued interest income included in trade and other receivables	2,532	-
	127,053	(140,984)

### 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.

	Three-month period ended		Nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Canada	5,982	6,135	31,527	55,700
United States	306,132	188,636	738,277	840,487
Rest of world	28,413	41,986	106,955	129,362
	340,527	236,757	876,759	1,025,549

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



# **Innovotech Inc.**

Notes to Financial Statements

**(Unaudited) September 30, 2022 and 2021**

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## **7 Subsequent events**

On October 11, 2022, the Company granted to directors 150,000 stock options at an exercise price of \$0.16 with an expiry date of October 10, 2027. These stock options vest immediately