Innovotech Inc.

Interim Consolidated Financial Statements
(Unaudited)
For the three and nine-month periods ended
September 30, 2023 and 2022

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.

Consolidated Statements of Financial Position
(Unaudited)

	September 30, 2023 $	December 31, 2022 $
Assets		
Current assets		
Cash and cash equivalents	143,914	469,068
Marketable securities	85,873	81,643
Trade and other receivables	250,538	197,758
Inventory	44,089	42,152
Unbilled revenue	12,359	-
Deferred project costs	20,217	-
Prepaid expenses	30,429	35,380
	587,419	826,001
Property and equipment	160,482	186,802
Patents (note 4, 5)	113,637	-
Investment	210,000	210,000
	1,071,538	1,222,803
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	89,111	118,044
Deferred revenue	-	10,217
Current portion of lease liability	-	37,034
	89,111	165,295
Equity		
Shareholders' equity (note 6)	936,427	1,057,508
Non-controlling interest (note 4)	46,000	-
	982,427	1,057,508
	1,071,538	1,222,803

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

Approved by the Board of Directors

____________________ Director
(Signed) "Alan Savage"

____________________ Director
(Signed) "James Timourian"

Innovotech Inc.

Consolidated Statements of Changes in Equity
(Unaudited)

	Notes	Share capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity	Non-controlling interest	Total
		$	$	$	$	$	$	$
Balance - January 1, 2023		7,695,237	159,543	1,594,737	(8,392,009)	1,057,508	-	1,057,508
Net and comprehensive loss for the period		-	-	-	(127,651)	(127,651)	-	(127,651)
Non-controlling interest of Nou Life	4	-	-	-	-	-	46,000	46,000
Stock based compensation	6	-	-	6,570	-	6,570	-	6,570
Balance - September 30, 2023		7,695,237	159,543	1,601,307	(8,519,660)	936,427	46,000	982,427
Balance - January 1, 2022		7,695,237	159,543	1,577,648	(8,255,498)	1,176,930	-	1,176,930
Net and comprehensive loss for the period		-	-	-	(53,102)	(53,102)	-	(53,102)
Balance - September 30, 2022		7,695,237	159,543	1,577,648	(8,308,600)	1,123,828	-	1,123,828

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

Innovotech Inc.

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited) For the three and nine months ended September, 2023 and 2022

	Three-month period ended		Nine-month period ended	
	September 30, 2023 $	**September 30, 2022 $**	**September 30, 2023 $**	**September 30, 2022 $**
Revenue (note 8)				
Contract research fees	121,091	293,508	660,530	686,897
Product sales	53,720	47,019	180,996	173,625
Other revenue	-	-		16,237
	174,811	340,527	841,526	876,759
Cost of sales				
Contract research	41,914	63,284	163,922	166,160
Product sales	35,199	31,052	107,247	97,699
	77,113	94,336	271,169	263,859
Gross profit	97,698	246,191	570,357	612,900
Operating expenses				
General and administrative	250,629	197,717	703,805	618,360
Sales and marketing	8,359	641	23,758	978
Research and development	33,239	7,483	84,044	53,279
Fair value gain on option to acquire patents (note 4)	(69,000)	-	(69,000)	-
	223,227	205,841	709,168	672,617
Interest expense	-	1,097	557	4,243
Interest income	(7,983)	(2,439)	(11,717)	(10,858)
Net financing (income)/expense	(7,983)	(1,342)	(11,160)	(6,615)
Net income (loss) and comprehensive income (loss) for the period	(117,546)	41,692	(127,651)	(53,102)
Basic and diluted income (loss) per common share	0.00	0.00	0.00	(0.00)

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

Innovotech Inc.

Consolidated Statements of Cash Flows

(Unaudited) For the nine months ended September 30, 2023 and 2022

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(127,651)	(53,102)
Adjustments for:		
Amortization	63,229	83,709
Non-cash interest expense	558	4,243
Non-cash interest income	-	(2,533)
Share based compensation (note 6)	6,570	-
Fair value gain on option to acquire patents (note 4)	(69,000)	-
	(126,294)	32,317
Net change in non-cash working capital items (note 7)	(125,722)	127,053
	(252,016)	159,370
Investing activities		
Purchase of equipment	(35,547)	(48,670)
	(35,547)	(48,670)
Financing activities		
Lease liability repaid	(37,591)	(67,664)
	(37,591)	43,036
Increase (decrease) in cash and cash equivalents	(325,154)	10,263
Cash and cash equivalents – Beginning of period	469,068	422,419
Cash and cash equivalents – End of period	143,914	465,455

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

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 seed treatment designed to combat both bacterial and fungal diseases, and an assay used in growing microbial biofilms for research purposes. Since 2020 the Company has been funding research and development under an Equity Participation Agreement (the "Agreement") with Nou Life Sciences Inc. ("Nou Life), and in 2023, it has completed all its obligations under the Agreement and has acquired 60% of Nou Life. See note 4 for more information on the acquisition. The Company is publicly traded and listed on the TSX Venture Exchange, and its registered office is in Edmonton, Alberta.

These consolidated 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 consolidated 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 consolidated financial statements were approved by the Board of Directors for issue on November 28, 2023.

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, other than those listed below.

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control exists when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings, and the nature of substantive rights and protective rights.

On acquiring control, the Company elected to apply the concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test has the following consequences: (i) if the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed (ii) if the concentration test is not met, or the entity elects not to apply the test, the entity shall then perform the assessment of elements of a business.

The fair value of acquisition of a subsidiary is based on the fair value of the assets acquired and liabilities assumed. Where the subsidiary is acquired as a result of the exercise of an option, the fair value of the consideration given is equal to the fair value of the option at the time of acquisition. The fair value of the option at the acquisition date is equal to the fair value of the net assets acquired less the exercise price of $nil. The Company recognizes any non-controlling interest in the investee at fair value.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated. Non-controlling interests in the net assets of the consolidated subsidiaries are shown as a separate component of the Company's equity, and consist of the non-controlling interests on the date of the original acquisition date plus the non-controlling interests' share of changes in equity since the date of acquisition, as that represents the non-controlling shareholders' share of the investee's net assets as if the book value of their assets were realized and distributed to the shareholders based on the circumstances that exist at the end of the reporting period. As the Company's underlying ownership interest changes because of the external financings, the Company's investment is adjusted to reflect any dilution effect which is recorded in the consolidated statement of earnings (loss).

When the Company loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary from the consolidated statement of financial position. It recognizes a gain or loss in the consolidated statements of operations and comprehensive loss, which is the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive loss in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset for subsequent accounting under IFRS 9, and where applicable, the cost on initial recognition of an investment in an associate.

Investments in associates are accounted for using the equity method. Under this method, the Company's share of the investment's earnings or losses is included in the consolidated statements of operations and comprehensive loss and the carrying amount of the investment is adjusted by a like amount.

These consolidated financial statements include Nou Life Sciences Inc. in the accounts of the Company for the periods presented.

b) Identifiable intangible assets

The Company's intangible assets include patents with finite useful lives. Costs incurred in obtaining internally generated patents are recorded as research and development cost in the consolidated statements of operations and comprehensive loss in the period incurred. Acquired patents are recorded at cost less accumulated amortization and any accumulated impairment losses. Any costs associated with servicing these assets are expensed as incurred. These assets are amortized on a straight-line basis in the statement of operations over their remaining contractual lives. The Company's existing patents have useful lives ranging between 9 and 13 years.

4 Acquisition and option to earn-in

On August 18, 2020, the Company entered into a two-year Equity Participation Agreement (the "Agreement") with Nou Life Sciences Inc. ("Nou Life"). The Agreement was amended on August 18, 2022 to a three-year term. Nou Life has ownership of patents pertaining to a family of linking agents for L-carnitine and alpha-lipoic acid molecules (the "Compound"). Pursuant to the Agreement the Company had the option to acquire a 60% undivided ownership interest in Nou Life, by spending $100,000 on a research and development program (the "Program") designed to advance the Compound to a marketable compound.

On August 17, 2023 the Company informed Nou Life that it had already spent $101,734 on the Program, thereby reaching the spending requirement pursuant to the Agreement. The Company, having completed its obligations under the Agreement, delivered written notice of its exercise of the option to Nou Life on August 17, 2023.

Pursuant to the Agreement, as of the option exercise date the aggregate amount of research and development from the Program shall be expensed in Nou Life. The Company shall be granted 5,520,350.5 Class A common shares representing 60% of the aggregate issued and outstanding Class A common shares, and 1,275,000 Class B common shares, representing 60% of the total issued and outstanding Class B common shares, and

The Company elected to apply the concentration test and determined the acquisition represented an asset acquisition. It assessed that the fair value of the assets being purchased upon exercise of the option are concentrated in the patents being acquired. The Company concluded that Nou Life did not constitute a business as defined under *IFRS 3 Business Combinations* and the acquisition is therefore accounted for as an asset acquisition. The Company recognized the fair value of patents at $115,000. No other assets or liabilities were identified.

5 Patents

	Patents
Cost	
Balance – January 1, 2023	-
Acquisition of Nou Life	115,000
Balance – September 30, 2023	115,000
Accumulated depreciation	
Balance – January 1, 2023	-
Amortization	1,363
Balance – September 30, 2023	1,363
Net book value – September 30, 2023	113,637

Amortization of $1,363 (2022 – $nil) is included in research and development expense.

6 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 $6,570 for the nine months ended September 30, 2023 (2022 – $nil).

2023 transactions

On July 17, 2023, the Company granted to an employee 500,000 stock options at an exercise price of $0.10 with an expiry date of July 16, 2028. These stock options vest over four years. On the same day the Company also granted to a director 50,000 stock options at an exercise price of $0.10 with an expiry date of July 16, 2028. These stock options vested immediately. The estimated fair value of these options is $0.0868 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	130.73%
Risk-free interest rate	3.40%
Expected life of options	5 years

7 Net change in non-cash working capital items

	2023 $	2022
Marketable securities	(4,230)	(8,833)
Trade and other receivable	(52,780)	132,616
Inventory	(1,937)	21,406
Unbilled revenue	(12,359)	13,887
Deferred project costs	(20,217)	-
Prepaid expenses	4,951	23,406
Accounts payable and accrued liabilities	(28,933)	(29,874)
Deferred revenue	(10,217)	(28,087)
	(125,722)	127,053

8 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, 2023 $	September 30, 2022 $	September 30, 2023 $	September 30, 2022 $
Canada	10,115	5,982	20,197	31,527
United States	138,132	306,132	732,628	738,277
Rest of world	25,564	28,413	88,701	106,955
	174,811	340,527	841,526	873,759

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

9 Subsequent events

On October 12, 2023, the Company granted to directors 150,000 stock options at an exercise price of $0.12 with an expiry date of October 11, 2028. These stock options vest immediately.

On October 18, 2023, the Company signed a funding agreement with Alberta Innovates, a provincial government agency. The agreement provides for non-refundable contributions to be provided to the Company, if it reaches defined research milestones by specified dates, on a research project designed to advance its proprietary intellectual property for Innovosil™ antimicrobial silver. Alberta Innovates will contribute $300,000 towards the project with an anticipated completion in November 2025.