

Innovotech Inc.

Interim Financial Statements
(Unaudited)
**For the three and six-month periods ended
June 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.

Statements of Financial Position (Unaudited)

	June 30, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	371,458	469,068
Marketable securities	83,856	81,643
Trade and other receivables	190,235	197,758
Inventory	54,795	42,152
Unbilled revenue	25,407	-
Prepaid expenses	30,828	35,380
	<u>756,579</u>	<u>826,001</u>
Equipment	159,701	186,802
Investment	210,000	210,000
	<u>1,126,280</u>	<u>1,222,803</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	74,366	118,044
Deferred revenue	4,511	10,217
Lease liability	-	37,034
	<u>78,877</u>	<u>165,295</u>
Shareholders' Equity		
Share capital (note 5)	7,695,237	7,695,237
Warrants	159,543	159,543
Contributed surplus	1,594,737	1,594,737
Deficit	<u>(8,402,114)</u>	<u>(8,392,009)</u>
	<u>1,047,403</u>	<u>1,057,508</u>
	<u>1,126,280</u>	<u>1,222,803</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, 2023	7,695,237	159,543	1,594,737	(8,392,009)	1,057,508
Net and comprehensive income (loss) for the period	-	-	-	(10,105)	(10,105)
Balance – June 30, 2023	<u>7,695,237</u>	<u>159,543</u>	<u>1,594,737</u>	<u>(8,402,114)</u>	<u>1,047,403</u>
Balance – January 1, 2022	7,576,237	159,543	1,577,648	(8,255,498)	1,176,930
Net and comprehensive income (loss) for the period	-	-	-	(94,794)	(94,794)
Shares issued	-	-	-	-	-
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>

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, 2023 and 2022

	Three-month period ended		Six-month period ended	
	June 30, 2023 \$	June 30, 2022 \$	June 30, 2023 \$	June 30, 2022 \$
Revenue				
Contract research fees	357,170	199,207	539,439	393,389
Product sales	53,853	60,377	127,276	126,606
Other revenue	-	-	-	16,237
	<u>411,023</u>	<u>259,584</u>	<u>666,715</u>	<u>536,232</u>
Cost of sales				
Contract research	72,691	56,836	122,008	102,876
Product sales	33,477	21,419	72,048	66,647
	<u>106,168</u>	<u>78,255</u>	<u>194,056</u>	<u>169,523</u>
Gross profit	<u>304,855</u>	<u>181,329</u>	<u>472,659</u>	<u>366,709</u>
Operating expenses				
General and administrative	232,795	207,563	453,176	420,643
Sales and marketing	7,777	258	15,399	337
Research and development	26,854	39,302	50,805	45,796
Grants	(33,439)	-	(33,439)	-
	<u>233,987</u>	<u>247,123</u>	<u>485,941</u>	<u>466,776</u>
Interest expense	112	1,416	557	3,146
Interest income	(2,144)	(4,703)	(3,734)	(8,419)
Net financing (income)/expense	<u>(2,032)</u>	<u>(3,287)</u>	<u>(3,177)</u>	<u>(5,273)</u>
Net income (loss) and comprehensive income (loss) for the period	<u>72,900</u>	<u>(62,507)</u>	<u>(10,105)</u>	<u>(94,794)</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, 2023 and 2022

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	(10,105)	(94,794)
Adjustments for:		
Amortization	52,411	55,359
Non-cash interest expense	557	3,146
Non-cash interest income	-	(2,533)
	<u>42,863</u>	<u>(38,822)</u>
Net change in non-cash working capital items (note 5)	<u>(77,572)</u>	<u>322,396</u>
	<u>(34,709)</u>	<u>283,574</u>
Investing activities		
Purchase of equipment	<u>(25,310)</u>	<u>(14,204)</u>
	<u>(25,310)</u>	<u>(14,204)</u>
Financing activities		
Lease liability repaid	<u>(37,591)</u>	<u>(45,110)</u>
	<u>(37,591)</u>	<u>(45,110)</u>
Increase in cash and cash equivalents	(97,610)	224,260
Cash and cash equivalents – Beginning of period	<u>469,068</u>	<u>422,419</u>
Cash and cash equivalents – End of period	<u>371,458</u>	<u>646,679</u>

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

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2023 and 2022

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.

1 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 15, 2023.

2 Significant accounting policies

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

3 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 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, 2023 (2022 – \$nil).

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2023 and 2022

4 Net change in non-cash working capital items

	2023	2022
	\$	\$
Marketable securities	(2,213)	(708)
Trade and other receivable	7,523	271,045
Inventory	(12,643)	14,012
Unbilled revenue	(25,407)	9,392
Prepaid expenses	4,552	(2,859)
Accounts payable and accrued liabilities	(43,678)	(31,302)
Deferred revenue	(5,706)	60,284
	<u>(77,572)</u>	<u>319,864</u>
Less: accrued interest income included in trade and other receivables	-	2,532
	<u>(77,572)</u>	<u>322,396</u>

5 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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Canada	2,662	5,675	10,082	25,545
United States	383,197	223,035	594,496	432,145
Rest of world	25,164	30,873	62,137	78,542
	<u>411,023</u>	<u>259,583</u>	<u>666,715</u>	<u>536,232</u>

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

6 Subsequent events

On July 17, 2023, the Company 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 vest immediately. The Company granted the incoming Chief Executive Officer 500,000 stock options at an exercise price of \$0.10 with an expiry date of July 16, 2028. These stock options vest over a four year period.

The Company has applied to the TSX Venture Exchange to amend the expiry date of an aggregate of 937,500 common share purchase warrants (the "Warrants") issued pursuant to a private placement which closed on September 2, 2020. Innovotech has applied to extend the expiry date of the Warrants from September 2, 2023 to September 2, 2024. In all other respects, the terms of the Warrants will remain unchanged and in full force

Innovotech Inc.

Notes to Financial Statements

(Unaudited) June 30, 2023 and 2022

and Innovotech announces that it effect. The amendments to the terms of the Warrants are subject to receipt of all applicable regulatory and stock exchange approvals.