

**Innovotech Inc.**

Interim Financial Statements

(Unaudited)

**For the three and six-month periods ended**

**June 30, 2024 and 2023**

#### 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, 2024	December 31, 2023
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	120,445	160,521
Marketable securities	-	68,136
Trade and other receivables	192,875	214,814
Inventory	77,831	70,012
Unbilled revenue	11,961	16,678
Prepaid expenses	46,785	34,960
	<u>449,897</u>	<u>565,121</u>
<b>Patents</b>	151,985	163,666
<b>Property and equipment</b>	178,788	157,745
<b>Investment</b>	330,000	330,000
	<u>1,110,670</u>	<u>1,216,532</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	130,229	135,928
Deferred revenue	11,178	-
Deferred grant	29,712	39,544
	<u>171,119</u>	<u>175,472</u>
<b>Due to shareholder (note 4)</b>	100,000	-
<b>Deferred grant</b>	42,461	42,461
	<u>313,580</u>	<u>217,933</u>
<b>Equity</b>		
<b>Shareholders' Equity (note 5)</b>	729,090	930,599
<b>Non-controlling interest</b>	68,000	68,000
	<u>797,090</u>	<u>998,599</u>
	<u>1,110,670</u>	<u>1,216,532</u>

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

**Approved by the Board of Directors**

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(Signed) "Craig Milne" Director

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(Signed) "James Timourian" Director

## Innovotech Inc.

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

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	Notes	Share capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Equity \$	Non- controlling interest \$	Total \$
<b>Balance - January 1, 2024</b>		7,702,216	159,543	1,618,431	(8,549,591)	930,599	68,000	998,599
Net and comprehensive loss for the period		-	-	-	(217,018)	(217,018)	-	(217,018)
Stock based compensation		-	-	14,309	-	14,309	-	14,309
Shares issued on option exercise		2,870	-	(1,670)	-	1,200	-	1,200
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<b>Balance - June 30, 2024</b>		7,705,086	159,543	1,631,070	(8,766,609)	729,090	68,000	797,090
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<b>Balance - January 1, 2023</b>		7,695,237	159,543	1,594,737	(8,392,009)	1,057,508	-	1,057,508
Net and comprehensive loss for the period		-	-	-	(10,105)	(10,105)	-	(10,105)
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<b>Balance - June 30, 2023</b>		7,695,237	159,543	1,594,737	(8,402,114)	1,047,403	-	1,047,403

*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, 2024 and 2023

	Three-month period ended		Six-month period ended	
	June 30, 2024 \$	June 30, 2023 \$	June 30, 2024 \$	June 30, 2023 \$
<b>Revenue</b>				
Contract research fees	268,277	357,170	537,022	539,439
Product sales	48,861	53,853	94,092	127,276
Other revenue	81,449	-	81,449	-
	<u>398,587</u>	<u>411,023</u>	<u>712,563</u>	<u>666,715</u>
<b>Cost of sales</b>				
Contract research	77,083	72,691	139,740	122,008
Product sales	37,537	33,477	68,699	72,0487
	<u>114,620</u>	<u>106,168</u>	<u>208,439</u>	<u>194,056</u>
<b>Gross profit</b>	<u>283,967</u>	<u>304,855</u>	<u>504,124</u>	<u>472,659</u>
<b>Operating expenses</b>				
General and administrative	326,263	232,795	641,779	453,176
Sales and marketing	9,353	7,777	16,595	15,399
Research and development	79,258	26,854	100,444	50,805
Grants	(15,176)	(33,439)	(30,347)	(33,439)
	<u>399,698</u>	<u>233,987</u>	<u>728,471</u>	<u>485,941</u>
Fair value adjustment on financial instruments	-	-	4,412	-
Interest expense	-	(112)	-	(557)
Interest income	914	2,144	2,917	3,734
<b>Net financing (income)/expense</b>	<u>914</u>	<u>2,032</u>	<u>7,329</u>	<u>3,177</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<u>(114,817)</u>	<u>72,900</u>	<u>(217,018)</u>	<u>(10,105)</u>
<b>Basic and diluted income 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 six months ended June 30, 2024 and 2023

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	2024 \$	2023 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income (loss) for the period	(217,018)	(10,105)
Adjustments for:		
Amortization	29,761	52,411
Loss on disposal of equipment	(222)	-
Fair value adjustment on financial instruments	(4,412)	-
Interest expense	-	557
Deferred grant	(9,832)	-
Stock based compensation	14,309	-
	<u>(187,414)</u>	<u>42,863</u>
Net change in non-cash working capital items (note 6)	81,539	(77,572)
	<u>(105,875)</u>	<u>(34,709)</u>
<b>Investing activities</b>		
Purchase of equipment	(41,060)	(25,310)
Proceeds from sale of equipment	2,159	-
	<u>(38,901)</u>	<u>(25,310)</u>
<b>Financing activities</b>		
Lease liability repaid	-	(37,591)
Exercise of stock options	4,700	-
Due to shareholder	100,000	-
	<u>104,700</u>	<u>(37,591)</u>
<b>Increase in cash and cash equivalents</b>	(40,076)	(97,610)
<b>Cash and cash equivalents – Beginning of period</b>	<u>160,521</u>	<u>469,068</u>
<b>Cash and cash equivalents – End of period</b>	<u>120,445</u>	<u>371,458</u>

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

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) June 30, 2024 and 2023

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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'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 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 August 20, 2024.

### 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 Due to shareholder

The amount due to a shareholder of the Company consists of a \$100,000 line of credit which is repayable on or after June 5, 2024. The amount is therefore classified as a non-current liability. The line of credit bears interest at 8% per year payable semi-annually. The line of credit is secured against the investment in common shares in a private corporation.

### 5 Share capital

#### 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

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) June 30, 2024 and 2023

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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 \$14,309 for the six months ended June 30, 2024 (2023 – \$nil).

### 2024 transactions

On December 12, 2023, the Company granted to employee 40,000 stock options at an exercise price of \$0.085 with an expiry date of December 11, 2028. These stock options vested immediately. The estimated fair value of these options is \$0.0759 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	121.22%
Risk-free interest rate	3.40%
Expected life of options	5 years

### 6 Net change in non-cash working capital items

	2024	2023
	\$	\$
Marketable securities	72,548	(2,213)
Trade and other receivable	21,939	7,523
Inventory	(7,819)	(12,643)
Unbilled revenue	4,717	(25,407)
Prepaid expenses	(11,825)	4,552
Accounts payable and accrued liabilities	(5,699)	(43,678)
Deferred revenue	11,178	(5,706)
	<hr/>	<hr/>
	85,039	(77,572)
Less: accrued interest income included in trade and other receivables	(3,500)	-
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	81,539	(77,572)



# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) June 30, 2024 and 2023

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### 7 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>	
	<u>June 30,</u> <u>2024</u> \$	<u>June 30,</u> <u>2023</u> \$	<u>June 30,</u> <u>2024</u> \$	<u>June 30,</u> <u>2023</u> \$
Canada	2,822	2,662	3,918	10,082
United States	299,140	383,197	579,803	594,496
Rest of world	96,625	25,164	128,842	62,137
	<u>398,587</u>	<u>411,023</u>	<u>712,563</u>	<u>666,715</u>

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

### 8 Subsequent events

On July 16, 2024, the Company granted to directors 250,000 stock options at an exercise price of \$0.20 with an expiry date of July 15, 2029. These stock options vest immediately.