

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Condition and Results of Operations for the Three and Six Months Ended 30 June 2024 (as of 20 August 2024).

This MD&A and other materials filed with the Canadian securities regulators contain forward-looking statements that are subject to risks and uncertainties that cannot be predicted or quantified; actual results may differ materially from past results and those expressed or implied by any forward-looking statements. Forward-looking statements may include words such as "expects", "plans", "will", "believes", "estimates", "intends", "may", and other words of similar meaning and may relate to future financial performance, business strategies, or safety and efficacy of unapproved products. Such forward-looking statements are subject to risks, uncertainties, and other factors, many of which are beyond the control of Innovotech.

Factors that could cause or contribute to such risks or uncertainties include, but are not limited to the regulatory environment, including the difficulty of predicting regulatory outcomes; changes in the value of the Canadian dollar; the Company's reliance on a small number of customers; the demand for new products and the impact of competitive products, services and pricing; availability and cost of raw materials; fluctuations in operating results; government policies or actions; reliance on key strategic relationships; uncertainty related to intellectual property protection and potential costs associated with its defense; the Company's exposure to lawsuits and other matters beyond the control of management; and the impact of the adoption of new accounting standards on the Company's financial results.

Scientific information that relates to unapproved products or unapproved uses of products is preliminary and investigative. No conclusions can or should be drawn regarding the safety or effectiveness of such products. Only regulatory authorities can determine whether products are safe and effective for the uses being investigated.

The cautionary statements referred to above should be considered in connection with all written or oral statements, especially forward-looking statements that are made by the Company or by persons acting on its behalf and in conjunction with its periodic filings with Securities Commissions, including those contained in the Company's news releases. Should known risks or unknown risks or uncertainties materialize, or should management's assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly make or update any forward-looking statements, except as required by applicable law.

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The following Management Discussion and Analysis (MD&A) of results of operations and financial position as of 30 June 2024, should be read in conjunction with the audited financial statements of Innovotech Inc. ("Innovotech", "we", or "the Company") for quarter ended 30 June 2024, and the related notes thereto. This MD&A is provided by management using information available up to 20 August 2024. Management is responsible for the information contained in the MD&A and its consistency with information presented, reviewed, and approved by the Audit Committee and Board of Directors.

Additional information pertaining to the Company can be found on the System for Electronic Document Analysis and Retrieval (SEDAR+) web site at www.sedar.com, or at www.innovotech.ca.

OVERVIEW OF THE BUSINESS

Innovotech Inc. was incorporated in 2001 under the Business Corporations Act of Alberta. The activities of the Company are sales of its products, contract research conducted for outside clients, and research and development (R&D) to identify future products and services. The Company owns, sells, and utilizes proprietary assay kits used in growing microbial biofilms for research purposes (MBEC Assay® Kits). The Company's intellectual property includes a family of silver periodate antimicrobial compounds, including the InnovoSIL™ family for medical applications. In August 2023, the Company acquired a 60% interest in Nou Life Sciences Inc., a company that owns intellectual property for linked anti-oxidant molecules common in skin care. Innovotech is a public company listed on the TSX Venture Exchange under the trading symbol IOT. Its registered office and laboratories are in Edmonton, Alberta, Canada.

BUSINESS STRATEGY

The Company has three businesses: contract research, production and sale of MBEC Assay® Kits, and commercial development of InnovoSIL™ silver.

In its contract research business, the Company is a leader in a niche market related to testing and qualifying medical devices such as implants and other products for antimicrobial activity, including their susceptibility to, or resistance to, the formation of microbial biofilms. Innovotech has methodologies, equipment, and over twenty years of experience that give it certain proprietary advantages and efficiencies. Innovotech is accredited by CALA (Canadian Association for Laboratory Accreditation Inc.) to ISO/IEC 17025 (testing accreditation number A4146 for Enumerating Bacteria – Solids and Enumerating Bacteria – Liquid). The Company designs and builds devices tailored to testing client-specific medical devices.

Innovotech manufactures and sells several lines of MBEC Assay® Kits, keeping Innovotech's name in the forefront of biofilm research. The consistent revenues from global sales of the Kits help mitigate the volatility inherent in the contract research business. Innovotech is able to market its contract research to Kit users, and also offers MBEC Assay® testing through its contract research for interested parties. The Company applies proprietary coatings on Kits tailored to client and internal testing requirements.

The company has an active R&D program, primarily with the aim of securing commercial partners for InnovoSIL™-1 silver. The company is developing proprietary manufacturing methods to produce the compound at commercial scale while maintaining purity, specialized material properties, and yield, as well as continued studies on applications and methods of use. Collaborators are engaged in feasibility work using InnovoSIL™-1 silver in combination with their products.

Innovotech continues to be alert for participation in related business activities and new internal R&D targets, while looking for opportunities to diversify its business, extend its reach, and increase its revenues through corporate acquisition. This strategy is supported by the Company's 31 December 2023, long-term tax pools of \$7,325,000, which are available to reduce future net income for tax purposes.

Q2-2024 and H1-2024 EVENTS

In preparing for increased work capacity, the Company hired a new technical team member in April 2024, and completed work expanding into a new laboratory space. This follows three new hires that were completed in Q1. The company sees early evidence that some clients will be entering a large projects in upcoming periods and investments are being made in advance to scale up to meet the work.

Innovotech was awarded a non-repayable contribution from NRC-IRAP for \$75,000 to support new technical hires. The grant funding is paid on a reimbursement arrangement monthly for a portion of salaries dedicated to approved projects as described below.

The Company attended the 9th Thesinge Biofilm Meeting on Biomaterial-Associated Infections, where Dr. Nadworny spoke on the topic of "Unique Antibiofilm Nanostructured Silver Compound for use in Gel and Polymer Applications".

PERFORMANCE IN THE QUARTER AND HALF YEAR ENDING 30 JUNE 2024

Overall revenues were up in H1-2024 by 6.88% from \$666,715 in H1-2023 to \$712,563 in H1-2024. Contract research revenues and product sales were lower in Q2-2024, however revenues generated from R&D collaborations, specifically with efforts to commercialize InnovoSIL-1™ silver, added to the performance.

The Company has been carrying higher G&A expenses with new staff joining in Q1 and Q2-2024. Grant income from NRC-IRAP and recognized income from the previously announced Alberta Innovates AICE funding supported a portion of both research expenses and salary increases incurred.

A resulting net loss of \$114,817 is down for the quarter compared to a profit of \$72,900 in the previous year.

Three Month Financial Results to 30 June 2024 (Q2-24)

Q2-24 Revenue & Gross Profit

Period	Q2-2024	Q2-2023	% change
Contract research fees	268,277	357,170	24.89%
Product sales	48,861	53,853	9.27%
Other revenue	81,449	-	-
Gross revenue	398,587	411,023	3.03%
Cost of sales	114,620	106,168	7.96%
Gross profit	283,967	304,855	6.85%
Gross profit (%)	71.24%	74.17%	3.95%

Q2-24 Operating Expenses & Net Income

General & administrative	326,263	232,795	40.15%
Sales & marketing	9,353	7,777	20.26%
Research & development	79,258	26,854	195.14%
Grants	(15,176)	(33,439)	54.63%
Operating Expenses	399,698	233,987	70.82%
Interest expense	-	(112)	
Interest income	914	2,144	57.37%
Net Income (Loss)	(114,817)	72,900	257.50%

Six Month Financial Results to 30 June 2024 (H1-24)

H1-24 Revenue & Gross Profit

Period	H1-2024	H1-2023	% change
Contract research fees	537,022	539,439	0.45%
Product sales	94,092	127,276	26.07%
Other revenue	81,449	-	-
Gross revenue	712,563	666,715	6.88%
Cost of sales	208,439	194,056	7.41%
Gross profit	504,124	472,659	6.66%
Gross profit (%)	70.75%	70.89%	0.2%

H1-24 Operating Expenses & Net Income

General & administrative	641,779	453,176	41.62%
Sales & marketing	16,595	15,399	7.77%
Research & development	100,444	50,805	97.7%
Grants	(30,347)	(33,439)	9.25%
Operating Expenses	728,471	485,941	49.91%
FV adjustment on financial instrument	4,412	-	-
Interest expense	-	(557)	-
Interest income	2,917	3,734	78.12%
Net Income (Loss)	(217,018)	(10,105)	2047%

EBITDAS

EBITDAS, or earnings before interest, taxes, depreciation, amortization, and stock-based compensation, is not a Generally Accepted Accounting Principle (GAAP); but it is a useful measure of comparative operational performance over quarterly and annual time periods. EBITDAS and cash flow (also not a GAAP term) are virtually the same due to having no debt on which interest is paid and being able to access prior year's losses to reduce net income for tax purposes.

Period	Q2-2024	Q2-2023
Earnings	(114,817)	72,900
Before:		
Depreciation & amortization	15,469	22,994
Interest expense	-	112
Interest income	(914)	(2,144)
EBITDAS	(100,262)	93,862

Assets, Liabilities & Shareholders' Equity

Shareholders' equity as at the end of H1-2024 declined by \$201,509 from \$998,599 on Q4-2023 to \$797,090 at the end of H1-2024. Current liabilities total \$271,119, and non-current liabilities were \$42,461 because of a prepayment from Alberta Innovates against work not yet complete. Current assets of \$449,897 provide working capital of \$178,778.

Long-term assets of \$660,773 are comprised of an investment for shares in a privately-held technology company, carried at \$330,000, laboratory equipment at a depreciated cost of \$178,788, and patents acquired in the Nou Life transaction valued at \$151,985.

Balance as of	30 June 2024	30 June 2023	% change
Current assets	449,897	756,579	40.54%
Property & Equipment	178,788	159,701	11.95%
Patents	151,985	-	
Investment	350,000	210,000	66.67%
Total assets	1,110,670	1,126,280	1.39%
Current liabilities	271,119	78,877	243.72%
Long-term liabilities	42,461	-	
Total liabilities	313,580	78,877	297.56%
Shareholders' equity	797,090	1,047,403	23.90%

Liquidity & Capital Resources

As of 30 June 2024, the Company continues to maintain a liquid balance sheet with cash and cash equivalents of \$120,445, trade and other receivables of \$192,875, and a balance due to a shareholder of \$100,000.

As stated above, the Company had working capital of \$178,778 and, as Innovotech has no formal debt, the Company is presently funded to conduct its business and to meet its obligations in the ordinary course of business as they come due.

About Nou Life Sciences Inc.

The Company owns a 60% interest in the issued capital of Nou Life Sciences Inc. The Nou Life technology rests on the linking of alpha-lipoic acid and L-carnitine into one molecule. Lipoic acid and carnitine are well known antioxidants that have applications in healthcare related to skin products. The linking of the two molecules has been indicated by Nou Life to increase the beneficial properties of the separate molecules by improving their transdermal penetration, which will promote subdermal antioxidant activity to improve skin health. The current status is confirming that the linking of the molecules provides more effective antioxidant activity in skincare applications. Innovotech's research and testing of the molecules linked by various linkers will seek to confirm that the linkage improves the function of the molecules in skin treatment sufficiently to encourage their use in nutraceutical and cosmetic applications. Innovotech will also investigate the potential for a positive effect on nerve cell reinvigoration for treatment of neuropathy.

Contractual Obligations

None.

Summary Of Innovotech Shares Issued From Treasury During Q2-2024

None issued in Q2-2024.

Outstanding Share Capital

As at the date of this MD&A, there are 39,003,612 Class A common shares issued out of an unlimited number of Class A voting shares.

Outstanding Stock Options

As of the date of this MD&A, there are 2,062,000 outstanding stock options previously granted to employees and directors. No new options were granted.

Geographic Sales Information

3-month period ended		
	30 June 2024	30 June 2023
	\$	\$
Canada	2,822	2,662
United States	299,140	383,197
Rest of World	96,925	25,164
	398,587	411,023

6-month period ended		
	30 June 2024	30 June 2023
	\$	\$
Canada	3,918	10,082
United States	579,803	594,496
Rest of World	128,842	62,137
	712,563	666,715

OUTLOOK

During Q2-2024, the company again expanded its capacity for work, including the addition of a new staff member and completion of the expansion into new laboratory space that was initiated in Q1. Conditions with several clients suggest that projects are gearing up to greater scopes and the Company needs to remain responsive to meet client needs.

The Company continues to apply more of its R&D efforts toward increasing its contract research service offerings to clients, development of new MBEC Assay® Kit offerings, and progress on InnovoSIL™-1 antimicrobial silver. As noted in previous MD&As, these product and service development initiatives will generate increasing costs in expensed R&D that will continue over the current year with a view to increasing future revenues. Please see Research and Development below for more details.

Innovotech is working with multiple prospective collaborators on new applications for InnovoSIL™-1 silver.

Research and Development

Innovotech is continuing a focussed program of R&D to expand the line of products and services available to clients.

Work started in 2023, and partially funded by a non-repayable grant from Alberta Innovates, found that InnovoSIL™-1 silver has antiviral activity against clinically relevant microorganisms, including SARS-CoV-2 and norovirus. This work was published on 13 June 2024 as “Antiviral Activity of Ag₅IO₆, a Unique Silver Compound” in *Viruses* (<https://www.mdpi.com/1999-4915/16/6/959>). A milestone was also reached in terms of scaling up the manufacturing process for InnovoSIL™-1 silver, and it was determined that InnovoSIL™-1 silver is compatible with UV-curing and sterilization. Current grant-funded work is focused on determining compatibility of InnovoSIL™-1 silver with various processes and applications, including biological compatibility, further scale-up of the manufacturing process, including grinding of the material to a well-controlled particle size, and better understanding its unique mechanisms of action.

Innovotech also continued its support to collaborators in their progress towards inclusion of InnovoSIL™-1 silver in their product lines.

Innovotech continued its efforts directed towards the development and validation of additional customizable test methods that can be offered to its contract research clients, focusing chiefly on expanded capabilities with anti-encrustation assays and completion of validation of clinically relevant methods that simulate skin conditions at catheter insertion sites. Encrustation of mineral salts on urinary catheters results in either blockage of fluid flow, if it occurs on the interior of catheters, or irritation, if it occurs on the exterior of the catheter, necessitating replacement of the catheter in either situation. Encrustation is enhanced by the presence of certain microorganisms, and therefore methods involving both sterile and inoculated test surfaces, using clinically relevant flow rates, are offered at Innovotech. This significant development is partially supported by an ARP from NRC-IRAP to offset salary costs associated with the project. With aeration optimized in Q1, work in Q2 focused on reducing the probability of syphoning occurring; comparing and optimizing artificial urine recipes and exposure rates; and comparing and validating different tubing types. Work will continue through the year focusing on completing the above validations, as well as validation of additional species to expand Company services offered in this field.

Innovotech is currently evaluating a new plate design, that was developed at Duke University, to improve *in situ* imaging and study of certain biofilm formations with the MBEC Assay® test method.

As a contribution to the acquisition of NouLife Sciences Inc., the Company also continued working on a patented procedure to link two well-known antioxidants for better subdermal

delivery in creams formulated for skin care. Three linker chemistries were determined to have good purity and stability. Subsequent work will include studies on permeability.

Risk Management

Innovotech recognizes currency risk, credit risk and liquidity risk as primary risks.

Innovotech's objectives when managing capital are to ensure its ability to continue as a going concern while attempting to maximize return to shareholders by minimizing shareholder dilution in a manner consistent with maintaining adequate working capital, equipment, and facilities while maintaining optionality in the Company's operations.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's reporting currency is the Canadian dollar, and it incurs costs primarily in that currency. It realizes its revenues primarily in US dollars. A rising Canadian dollar in US dollar terms would lead to a decrease in the Company's Canadian dollar revenue all other things being equal. The Company does not use derivative instruments to hedge its exposure to foreign currency risk.

Credit Risk

The Company is exposed to credit risk through its cash and cash equivalents and trade and other receivables.

The Company's principal credit risk is the risk that a counterparty will fail to discharge its financial obligation in payment for the Company's services. The Company endeavours to mitigate credit risk to one half its contract research revenues as it requires that 50% of the estimated cost of its contracts be paid prior to beginning work on a contract. Innovotech does not insure its credit risks.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages accounts payable and accrued liabilities against trade and other receivables and carries a balance of cash and cash equivalents to accommodate that. Innovotech's planned 2024 operational expenditures do not exceed its committed sources of funds and reasonably expected revenues. As of 30 June

2024, Innovotech's current assets were \$449,897 and its current liabilities were \$271,119. Working capital was therefore \$178,778.

SIGNIFICANT ESTIMATES & CRITICAL JUDGEMENTS

The preparation of interim financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Non-financial assets, including property and equipment, are reviewed for indicators of impairment at each reporting date. Where impairment indicators are identified, the Company uses discounted cash flow models to determine the recoverable amount of the assets, which drives the conclusion of whether the impairment exists, and if it does, the amount of impairment to record. These models require assumptions to be formulated about future cash flows, margins, and discount rates, which are made using careful judgement, but are nonetheless subject to estimation risk.

Determining the fair value of stock options and warrants requires judgement related to the choice of a pricing model, the estimation of expected stock price volatility, and the expected term of the instrument. Any changes in the estimates utilized to determine fair value could result in a significant change in the amount of stock-based compensation charged to operations.

The significant accounting policies that are most critical in fully understanding and evaluating the reported results in this MD&A are included in notes 1 to 8 to the Company's Annual Financial Statements as of 30 June 2024.

End.