Innovotech Inc.

Consolidated Financial Statements
December 31, 2024 and 2023
(Expressed in Canadian Dollar)

D&H Group LLP
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Independent Auditor's Report

To the Shareholders of Innovotech Inc.

Opinion
We have audited the consolidated financial statements of Innovotech Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of changes in shareholders' equity (deficiency), consolidated statements of operations and comprehensive income (loss) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition - Service Revenue
Description
During the year ended December 31, 2024, the Company recognized services revenue of $ 1,885,947. For the Company's contract research and testing services, control of goods or services transfers over time to the customer and revenue is recognized based on the extent of progress towards completion of the performance obligation.

Services revenue is significant to our audit because it is quantitively significant and management's estimation of the percentage of completion requires judgement. See Note 3 to the financial statements.

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How the Key Audit Matter Was Addressed in the Audit
Our approach to addressing the matter included the following procedures, among others:

- Gained an understanding of the Company policy for recognizing revenue and internal controls related to revenue.
- Sent revenue and accounts receivable confirmations on a sample basis.
- Traced revenue transactions, on a sample basis, to contracts and payments received.
- Tested how management determined the the percentage of completion, on a sample basis, by reviewing the details of contracts, including the contract start date and term. Completed cut-off testing by ensuring that contracts for the month prior to year-end and the month after year-end were selected.

Other Information
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Trevor Nakanishi.

"D&H Group LLP"

Vancouver, B.C.
April 15, 2025

Chartered Professional Accountants

Innovotech Inc.

Consolidated Statement of Financial Position

As at December 31, 2024 and 2023

(Expressed in Canadian Dollar)

	Notes	December 31, 2024 $	December 31, 2023 $
Assets			
Current assets			
Cash and cash equivalents		725,399	160,521
Short term investments	8	-	68,136
Trade and other receivables	9	638,014	207,844
Indirect taxes receivable		19,604	6,970
Inventory	10	128,360	70,012
Unbilled revenue		51,234	16,678
Prepaid expenses and deposits	11	114,339	34,960
		1,676,950	565,121
Property, plant and equipment	11	500,756	157,745
Intangible assets	6, 12	543,024	163,666
Long term investment	13	499,200	330,000
		3,219,930	**1,216,532**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		286,939	135,928
Deferred revenue		24,029	-
Current portion of deferred grants	15	39,436	39,544
Current portion of contingent consideration	6	70,621	-
		421,025	175,472
Deferred grants	15	3,025	42,461
Contingent consideration	6	172,749	-
		596,799	217,933
Equity			
Shareholders' equity	16	2,565,111	930,599
Non-controlling interest		58,020	68,000
		2,623,131	998,599
		3,219,930	**1,216,532**

Approved by the Board of Directors

________________________ Director ________________________ Director

(Signed) “Craig Milne” (Signed) “James Timourian”

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

Innovotech Inc.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollar)

	Notes	Share capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' equity	Non-controlling interest	Total
		$	$	$	$	$	$	$
Balance - January 1, 2024		7,702,216	159,543	1,618,431	(8,549,591)	930,599	68,000	998,599
Net and comprehensive income (loss) for the year		-	-	-	224,735	224,735	(9,980)	214,755
Proceeds from private placement	16(a)	872,946	256,096	-	-	1,129,042	-	1,129,042
Shares issued on option exercise	16(a)	52,377	-	(37,975)	-	14,402	-	14,402
Shares issued on business combination	6	216,698	-	-	-	216,698	-	216,698
Warrants expired	16(b)	-	(159,543)	159,543	-	-	-	-
Stock based compensation	16(c)	-	-	49,635	-	49,635	-	49,635
Balance - December 31, 2024		8,844,237	256,096	1,789,634	(8,324,856)	2,565,111	58,020	2,623,131
Balance - January 1, 2023		7,695,237	159,543	1,594,737	(8,392,009)	1,057,508	-	1,057,508
Net and comprehensive income (loss) for the year		-	-	-	(157,582)	(157,582)	-	(157,582)
Non-controlling interest of Nou Life	7	-	-	-	-	-	68,000	68,000
Shares issued on option exercise	16(a)	6,979	-	(3,479)	-	3,500	-	3,500
Stock based compensation	16(c)	-	-	27,173	-	27,173	-	27,173
Balance - December 31, 2023		7,702,216	159,543	1,618,431	(8,549,591)	930,599	68,000	998,599

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

Innovotech Inc.

Consolidated Statement of Operations and Comprehensive Income (Loss)

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollar)

	Notes	2024 $	2023 $
Revenue	23		
Services revenue		1,885,947	955,056
Product sales		213,346	227,576
Other revenue		95,178	-
		2,194,471	1,182,632
Cost of sales	18	1,084,280	700,811
Gross profit		1,110,191	481,821
Operating expenses	18		
General and administrative		942,463	645,979
Marketing and business development		66,560	40,409
Research and development		276,661	216,538
Grants and tax credits	15	(223,602)	(41,434)
		1,062,082	861,492
Other items			
Finance income		2,993	12,756
Finance expenses	6, 14	(9,959)	(557)
Fair value changes	8, 13	173,612	209,890
Net financing income		166,646	222,089
Net income (loss) and comprehensive income (loss) for the year		214,755	(157,582)
Attributable to:			
Equity holders of the parent		224,735	(157,582)
Non-controlling interest		(9,980)	-
		214,755	(157,582)

Innovotech Inc.

Consolidated Statement of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollar)

	Notes	2024 $	2023 $
Cash provided by (used in):			
Operating activities:			
Net income (loss)		214,755	(157,582)
Adjustments for:			
Depreciation and amortization	11, 12	61,643	78,264
Gain on disposal of property, plant and equipment		(349)	-
Loss on disposal of short term investments		1,710	-
Non-cash finance expense	6	6,549	557
Interest paid on long term debt		3,413	-
Fair value adjustment on financial assets		(173,612)	(107,890)
Fair value gain on option to acquire patents		-	(102,000)
Deferred grant		(39,544)	82,005
Stock-based compensation	16(c)	49,635	27,173
		124,200	(179,473)
Net change in non-cash working capital	20	(205,843)	(48,610)
		(81,643)	(228,083)
Investing activities:			
Purchase of property, plant and equipment	11	(202,290)	(42,873)
Proceeds from sale of property, plant and equipment		2,159	-
Cash paid in business combination	6	(300,000)	-
Net cash acquired in business combination	6	6,620	-
		(493,511)	(42,873)
Financing activities:			
Issue of shares and warrants net of issuance costs	16(a)	1,129,042	-
Exercise of options	16(a)	14,400	-
Interest paid		(3,410)	-
Lease liability repaid		-	(37,591)
		1,140,032	(37,591)
Increase (decrease) in cash and cash equivalents		564,878	(308,547)
Cash and cash equivalents - Beginning of year		160,521	469,068
Cash and cash equivalents - End of year		725,399	160,521
Non-cash investing and financing activities:			
Shares issued on business combination		216,698	-
Warrants expired		(159,543)	-
Warrants issued		256,096	-

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 product sales are an assay used in growing microbial biofilms for research purposes. The Company acquired 100% of the issued and outstanding share capital of Keystone Labs Inc. See note 6 for more information on the business combination. The Company acquired 60% of Nou Life Sciences Inc. ("Nou Life" or "NLSI") in 2023. See note 7 for more information on the asset acquisition. The Company is publicly traded and listed on the TSX Venture Exchange, and its registered office is Suite L131, 2011 – 94 Street, Edmonton, Alberta, Canada, T6N 1H1.

These consolidated financial statements have been prepared using IFRS Accounting Standards ("IFRS") 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

These consolidated financial statements are audited and have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors for issue on April 15, 2025.

3 Material accounting policies

These consolidated financial statements have, in management's opinion, been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized 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 income (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 income (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 income (loss) and the carrying amount of the investment is adjusted by a like amount.

These consolidated financial statements include Keystone Labs Inc. and Nou Life Sciences Inc. in the accounts of the Company for the periods presented. The Company has a 100% interest in Keystone Labs Inc. and a 60% ownership interest in Nou Life Sciences Ltd.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of changes in value.

d) Inventory

Inventories of products for resale and consumables used in providing services are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price less estimated costs necessary to make the sale.

e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to earnings during the period in which they are incurred. See note 3(r) for the right-of-use asset accounting policy.

The major categories of equipment are depreciated on a straight-line basis as follows:

Plant	15 years
Computer and IT equipment	3 years
Furniture and fixtures	10 years
Leasehold improvements	Life of the lease

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

f) Identifiable intangible assets

The Company's intangible assets include patents with finite useful lives, customer relationships and brand names. Costs incurred in obtaining internally generated patents are recorded as research and development cost in the consolidated statements of operations and comprehensive income (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 consolidated statement of operations and comprehensive income (loss) over their estimated useful lives.

The Company's identifiable intangible assets are amortized on a straight-line basis as follows:

Patents	10 years
Customer relationships	10 years
Brand names	3 years

g) Research and development

The Company undertakes research and development in the course of identifying and preparing products for commercialization. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met, otherwise they are expensed as incurred. No development costs have been capitalized to date. The Company expenses costs incurred in pursuit of patents. Externally developed patents such as those acquired through a business combination are recorded as intangible assets in the consolidated statement of financial position.

h) Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

i) Revenue recognition

Services revenue relates to research services provided to third-party customers. Where costs and revenues associated with a contract can be measured reliably, revenue is recognized using the percentage of completion method based on the proportion of estimated total costs of the contract incurred to date. In rare circumstances where reliable estimates cannot be made, but it is still probable that incurred costs will be recovered, revenue is only recognized to the extent of costs incurred.

Services revenue may include milestone payments which require the Company's ongoing involvement. In these cases, revenue is recognized upon achievement of the milestone as specified in the agreement, provided payment is proportionate to the effort expended as measured by the ratio of costs expended to total estimated costs.

Unbilled revenue represents costs incurred plus estimated gross profit in excess of billings on incomplete contracts.

Revenue from product sales is recognized upon delivery of the product when persuasive evidence of an arrangement exists, the price is fixed or determinable and collection is reasonably assured.

License fees are the signing fees from potential partners in joint development or commercialization agreements. These fees are non-refundable fees received at the inception of an agreement and are recognized when the Company has no further involvement or obligation to perform under the agreement.

Grants in support of research activities are recognized as the related expenses are recognized, once there is reasonable assurance that the grant will be received and that the Company will comply with the grant conditions.

j) Stock-based compensation

The Company has a stock option plan for the benefit of certain officers, directors, employees and consultants. Awards of stock options are accounted for and measured by reference to the fair value of the equity instruments granted as share-based compensation and result in compensation expense. The amount of compensation is measured at the date of option grant. The expense is recognized in income over the service period of the individual to whom the option was granted with a corresponding amount recorded in contributed surplus. When a stock option is exercised any consideration received in addition to the amount previously recorded in contributed surplus is credited to share capital. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

k) Warrants

The Company may raise capital through the issuance of units, which include both common shares and share purchase warrants. Proceeds raised are allocated first to warrants, based on an estimate of fair value determined using the Black-Sholes option pricing model, with the residual allocated to share capital.

l) Income (loss) per share

Income (loss) per share is based on the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is calculated using the treasury stock method, whereby deemed proceeds from the exercise of options and warrants with an exercise price below the average market price of the shares, is considered to be used to reacquire common shares at the average market price during the year.

m) Income taxes and refundable tax credits

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, or unused tax loss or credit can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

Refundable scientific research and experimental development (SRED) tax credits are recorded using the cost reduction method, whereby credits are deducted from related expenses once reasonable assurance of realization is established.

n) Foreign currency translation

The Company’s functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect as of the consolidated statement of financial position date. Gains and losses are recognized in the consolidated statement of operations and comprehensive income (loss) on a current basis.

o) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in consolidated statement of operations and comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in compressive income or loss in the period in which they arise. On recognition, communicative gains and losses of financial assets in other comprehensive income or loss are reclassified to the consolidated statement of operations and comprehensive income (loss).

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the consolidated statement of operations and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

p) Significant estimates and judgments

The preparation of consolidated 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. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements:

Estimated useful lives of property, plant and equipment

The Company reviews the estimated useful lives and residual values of property, plant and equipment at each reporting date in accordance with IAS 16 *Property, Plant and Equipment*. Management exercises judgment based on historical experience, technical assessment, and industry practices in determining the expected period over which an asset will be available for use.

Changes in technology, expected usage, and physical wear and tear may result in adjustments to these estimates. Any revision to the estimated useful lives or residual values of assets is accounted for prospectively as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. As at the reporting date, management has determined that the current estimates of useful lives remain appropriate and reflect the assets' expected utility to the Group. See note 5 for current year changes to the method and rate used to depreciate property, plant and equipment over the estimated useful lives.

Impairment of non-financial assets

Non-financial assets, including property, plant and equipment and intangible assets, 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 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 judgment, but are nonetheless subject to estimation risk.

Fair value of stock options and warrants

Determining the fair value of stock options and warrants requires judgment 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.

Fair value of long term investment

Determining the fair value of the long term investment requires judgment. Management estimated the fair value of the investment on December 31, 2022, by determining its implied value with reference to a recently completed private placement of the underlying equity. During the years-ended December 31, 2024 and 2023, the Company used significant unobservable inputs to determine the fair value. See Note 13 for further details. Any changes in the estimates utilized to determine fair value could result in a significant change to net and comprehensive income (loss).

Fair value of patents

Determining the fair value of the patents acquired through the asset acquisition described in note 7 requires judgment. Management has estimated the fair value of the patents on the date of the business combination, August 17, 2023, using significant unobservable inputs. See note 7 for further details. Any changes in the estimates utilized to determine fair value could result in a significant change to net income (loss) and comprehensive income (loss).

Renewal option on lease agreements

In determining the lease term, management has applied significant judgment regarding the likelihood of exercising the renewal option. Based on the company's operational plans and current assessment of future requirements, management has concluded that it is not reasonably certain to exercise the renewal option, and accordingly, the renewal period has not been included in the measurement of lease liabilities.

Materiality of equipment leases

The company applies significant judgment when determining the materiality of its lease arrangements. The equipment leases are assessed based on their individual and collective impact on the company's financial position and results. As these leases are immaterial, they are not separately disclosed on the balance sheet as right-of-use assets or lease liabilities.

Fair value calculation of contingent consideration

As part of the business combination described in note 6, the Company has recognized contingent consideration, which is measured at fair value on the acquisition date. The determination of the fair value of the contingent consideration involves significant judgment and estimation. Management considers the likelihood of achieving the specified performance targets or milestones, including financial metrics (such as revenue or profit targets).

Key assumptions used in the fair value calculation of contingent consideration include:

- Probability of achieving milestones: Based on historical performance, management's expectations, and external factors.
- Discount rate: Reflecting the risks associated with the time value of money and the uncertainty surrounding the future payments.
- Timing of payments: Expected timing of achieving the milestones and the subsequent cash outflows.

The contingent consideration is remeasured at fair value at each reporting date, and changes in estimates can result in significant adjustments to the liability and related expense.

Fair value customer relationships

The fair value of customer relationships acquired as part of the business combination described in note 6 is measured using the Multi-Period Excess Earnings Method (MEEM), an income-based approach. This involves estimating future cash flows expected to be generated from the customer base and attributing those cash flows to the customer relationships.

Significant estimates and assumptions include:

- Customer attrition rates: The rate at which customers are expected to discontinue their relationship with the group.
- Revenue growth rates: Forecasted growth in sales to the customer base.
- Discount rate: Reflecting the risks associated with the cash flows from customer relationships.
- Useful life: The expected period over which the customer relationships are expected to generate economic benefits.

Any changes in these assumptions could have a material effect on the valuation of customer relationships.

Fair value of brand names

The fair value of brand names is determined using the Relief-from-Royalty Method, an income-based approach, which estimates the future benefits of owning the brand name instead of paying royalties to license it. The valuation requires significant estimates and assumptions related to the brand’s future economic benefits.

Key assumptions include:

- Royalty rates: Estimated market royalty rates for similar brands in the industry.
- Revenue forecasts: Projected future revenue expected to be generated from the brand.
- Discount rate: Reflecting the risks associated with the future cash flows of the brand.
- Indefinite useful life assessment: Management's judgment that there is no foreseeable limit to the period over which the brand is expected to generate cash inflows.

Changes in these assumptions could result in significant adjustments to the fair value of the brand names.

q) Segment reporting

The Company determines and presents operating segments based on the information that is internally provided to the chief operating decision makers (CODM), who are responsible for allocating resources and assessing the performance of the operating segments.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other segments of the Company. All operating segments' operating results are regularly reviewed by the Company’s CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company has identified two reportable segments based on the nature of products and services provided:

- Innovotech: This segment is involved in selling products to the medical research market, providing contract research services to entities performing biomedical research and performing research and development activities on its own proprietary compounds.
- Keystone: This segment is engaged in providing analytical testing services supporting pharmaceutical, medical device, biotechnology and nutraceutical industries.

The reportable segments represent business units that offer different products or services, operate in different markets, or have distinct risk and return profiles. These segments are managed separately because the business model for each segment requires different strategies and resource allocations.

Segment performance is evaluated based on segment profit or segment EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), which is consistent with the information provided to the CODM. Segment revenue includes sales to external customers and inter-segment sales or transfers. Segment results are adjusted for corporate costs that are not allocated to segments.

- Segment revenue includes both sales to external customers and inter-segment sales.
- Segment profit is calculated before tax, finance income/expenses, and certain corporate items that are managed at the Company level.

Inter-segment pricing is determined on an arm’s length basis, consistent with transactions with third parties.

The assets and liabilities of each segment are reported separately where they are directly attributable to the segment. Segment assets include all assets used by a segment, and segment liabilities include all liabilities directly attributable to the segment’s activities. Corporate assets and liabilities that are not attributable to any segment are reported under the "unallocated" category in the segment report.

The Company operates in multiple geographic locations. However, as all non-current assets are held within Canada, no geographical breakdown of non-current assets is provided in the segment disclosures.

r) Leases

The Company recognizes a right-of-use asset and a lease liability for its leases when the non-cancelable lease term is greater than one year. Where the non-cancelable lease term is less than one year the Company assesses the likelihood of exercising any optional lease terms. Where it is likely that the optional lease term will be utilized and the total lease term is greater than one year, the Company recognizes a right-of-use asset and a lease liability for those leases. Where the non-cancelable lease term is less than one year or it is unlikely that the Company will utilize the optional lease term, the Company uses the short-term lease exemption. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company’s incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in the consolidated statement of operations and comprehensive income (loss). The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets.

4 Accounting standards changes

There are no new or amended IFRS Accounting Standards or interpretations that required adoption by the Company during the year except for the amendments to IAS1 described below.

IAS 1 – Presentation of Financial Statements: Disclosure of Accounting Policies

The amendments to IAS 1 – Presentation of Financial Statements introduce changes to the disclosure of accounting policies, requiring entities to disclose only material accounting policy information rather than significant accounting policies. The Company is in the process of reviewing its accounting policy disclosures to ensure compliance with the revised requirements. Any changes will be incorporated in future financial statements, where applicable.

5 Change in estimate of useful lives of property, plant and equipment and depreciation method

During the year ended December 31, 2024, the Company conducted a review of the useful lives of its Property, Plant, and Equipment (PPE) in accordance with IAS 16 - Property, Plant and Equipment. As a result of this review, the estimated useful lives of certain categories of PPE have been revised to reflect the expected patterns of future economic benefits from these assets more accurately, as well as changing the depreciation method used from declining balance method to the straight-line method. The change was made to better reflect the pattern in which the future economic benefits of the assets are expected to be consumed.

The following changes have been made:

- Plant: Previously 20% declining balance; revised to 15 years straight-line.
- Computer and IT equipment: Previously 30% declining balance; revised to 3 years straight-line.
- Furniture and fixtures: Previously 20% declining balance; revised to 10 years straight-line.

These changes have been accounted for prospectively from January 1, 2024, and have resulted in a decrease in depreciation expense for the current period of $13,343. The effect of these changes on future periods is expected to be a more accurate allocation of the costs of assets over their useful lives, resulting in a smoother expense recognition pattern.

These changes represent a change in accounting estimate under IAS 8 and have been applied prospectively from the date of the change. The revisions in useful lives and the change in the depreciation method reflect management’s assessment of the future economic benefits derived from the use of the Company’s assets. The Company does not expect the changes to have a material impact on the financial results in future reporting periods.

6 Business combination

On October 31, 2024, the Company acquired 100% of the voting shares of Keystone Labs Inc. (“Keystone” or “KLI”), a corporation providing analytical testing services supporting pharmaceutical, medical device, biotechnology, nutraceutical, and medical cannabis industries. The acquisition aligns with the Company's strategic goals of expanding its range of services and diversifying its customer base. The company gained control of Keystone through purchase of 100% of its issued share capital from existing shareholders.

(Expressed in Canadian Dollar)

The fair value of the consideration transferred was as follows:

	$
Cash	300,000
Common shares	216,698
Contingent consideration	236,821
Total consideration transferred	753,519

The fair value of the common shares issued was based on the market price of the Company's shares on the acquisition date. As part of the acquisition, the Company agreed to pay additional consideration of up to $300,000 if certain profit and revenue targets are achieved over the next 3 years. The fair value of the contingent consideration recognized at the acquisition date was $236,821. The fair value of the contingent consideration was determined using a discounted cash flow approach, with a discount rate of 13.50% and assumptions regarding likelihood of the performance targets being achieved. Due to the uncertain nature of the performance targets being achieved through commercial success of the acquired business and the revenue growth from property, plant and equipment purchases — the range of possible outcomes cannot be reliably quantified at this time. Accordingly, no upper or lower range of potential payments is disclosed.

The contingent consideration liability is classified as a financial liability and will be remeasured at fair value at each reporting date, with changes recognized as FVTPL. Changes due to the passage of time are recorded as financing expenses. As at December 31, 2024, the fair value of the contingent consideration is $243,370, and the change in fair value of $6,549 has been recognized as finance expenses for the year.

The fair values of the identifiable assets and liabilities of Keystone as of the acquisition date were as follows:

	$
Assets	
Cash and cash equivalents	6,620
Trade and other receivables	137,069
Allowance for doubtful accounts	(7,873)
Inventory	40,000
Unbilled revenue	44,411
Prepaid expenses and deposits	20,341
Property, plant and equipment	176,176
Intangible assets	407,356
	824,100
Liabilities	
Accounts payable and accrued liabiliies	70,581
	70,581
Fair value of identifiable net assets	753,519

Acquisition-related costs of $46,042 have been expensed and are included in professional and consulting fees in the consolidated statement of operations and comprehensive income (loss).

Since the acquisition date, Keystone has contributed $209,132 to revenue and $52,789 to profit before tax of the Company. If the acquisition had taken place at the beginning of the reporting period, the consolidated revenue would have been $3,106,827, and the consolidated profit would have been $343,338.

As part of the business combination the Company identified several intangible assets, including customer relationships and brand name. The fair value of these intangible assets was measured using the following valuation techniques:

a) Customer Relationships

The fair value of customer relationships was determined using the Multi-period Excess Earnings Method (MEEM), which is an income-based approach. The key assumptions used in the valuation were as follows:

Customer attrition rate: 10% per annum, based on historical data.
Discount rate: 13.50%, reflecting the risks associated with the asset.
Projected revenue growth: 3%, based on management's expectations for future customer retention and spending.
Useful life: The customer relationships were assigned a useful life of 10 years.
The fair value of the customer relationships at the acquisition date was $341,353.

b) Brand Name

The fair value of the acquired brand name was measured using the Relief-from-Royalty Method, an income-based approach. The key assumptions used in the valuation were as follows:

Royalty rate: 1%, estimated based on industry benchmarks for similar brands.
Discount rate: 13.50%, reflecting the risks associated with the asset.
Revenue: based on target revenues in the performance consideration plan
Useful life: The brand name was assigned a useful life of 3 years.
The fair value of the brand name at the acquisition date was $66,003.

The fair value measurements for the customer relationships and brand name are classified as Level 3 under the IFRS 13 fair value hierarchy, as the valuations rely on unobservable inputs such as projected future cash flows and discount rates.

The customer relationships are being amortized over their useful life of 10 years using the straight-line method, with an annual amortization expense of $34,135. Brand name is being amortized over its useful life of 3 years using the straight-line method, with an annual amortization expense of $22,001.

7 Asset acquisition

On August 17, 2023, the Company exercised its option to acquired 60% of the share capital of Nou Life Sciences Inc. ("Nou Life" or "NLSI"). 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 acquired 60% of Nou Life for of $102,000. No other assets or liabilities were identified. Therefore, the Company recognized the fair value of the patents at $170,000.

(Expressed in Canadian Dollar)

8 Short term investments

Included in short term investments are publicly traded convertible debentures classified as FVTPL. During the year, the Company disposed of its short term investments. During the year ended December 31, 2024, fair value adjustments of $4,411 are included in net income (loss) and comprehensive income (loss) (2023 – $12,110).

9 Trade and other receivables

	2024 $	2023 $
Trade receivables net of allowance for doubtful accounts	536,073	204,336
Other receivables	101,941	3,508
	638,014	207,844

The maximum exposure to credit risk is the carrying amount of each class of receivable listed above. The Company does not hold any collateral as security. Allowance for doubtful accounts totals $7,873 (2023 – $nil).

The aging of receivables is as follows:

	2024 $	2023 $
Neither past due nor impaired	613,350	182,090
Up to 3 months past due	32,537	25,754
Less: Allowance for doubtful accounts	(7,873)	-
	638,014	207,844

Amounts that are neither past due nor impaired relate to either grant income, government reimbursements or are receivable from a number of independent customers for whom there is no recent history of default.

Customers accounting for 10% or more of the Company's revenue are as follows:

	2024 $	2023 $
Customer #1	677,295	541,549
Customer #2	407,822	31,352
Customer #3	-	116,528

10 Inventory

The cost of inventories recognized as expense and included in cost of sales was $260,927 (2023– $218,884). The Company did not have any expired inventories to be written down to net realizable value in 2024 or 2023.

(Expressed in Canadian Dollar)

11 Property, plant and equipment

	Plant	Computer and IT equipment	Furniture and fixtures	Leasehold improvements	2024 Totals
Cost					
Balance - January 1, 2024	493,011	107,558	14,801	2,152	617,522
Acquisition of Keystone	340,396	26,697	21,410	346,109	734,612
Additions	191,948	10,342	-	-	202,290
Disposals	(7,570)	(76,724)	-	-	(84,294)
Balance - December 31, 2024	1,017,785	67,873	36,211	348,261	1,470,130
Accummulated depreciation					
Balance - January 1, 2024	349,312	94,077	14,235	2,152	459,776
Acquisition of Keystone	175,169	26,697	10,460	346,109	558,435
Depreciation	20,314	12,408	924	-	33,646
Disposals	(5,759)	(76,724)	-	-	(82,483)
Balance - December 31, 2024	539,036	56,458	25,619	348,261	969,374
Net book value - December 31, 2024	478,749	11,415	10,592	-	500,756

	Right-of-use assets	Plant	Computer and IT equipment	Furniture and fixtures	Leasehold improvements	2023 Totals
Cost						
Balance - January 1, 2023	170,483	456,224	103,624	14,801	2,152	747,284
Additions	-	38,939	3,934	-	-	42,873
Balance - December 31, 2023	170,483	495,163	107,558	14,801	2,152	790,157
Accummulated depreciation						
Balance - January 1, 2023	134,966	319,916	89,354	14,094	2,152	560,482
Depreciation	35,517	31,549	4,723	141	-	71,930
Balance - December 31, 2023	170,483	351,465	94,077	14,235	2,152	632,412
Net book value - December 31, 2023	-	143,698	13,481	566	-	157,745

Right-of-use assets consisted of leased buildings for office and laboratory space. Depreciation on right-of-use assets is included in general and administrative expenses. Depreciation on the remaining property, plant and equipment of $20,314 (2023 – $31,548) is included in cost of sales and $13,332 (2023 – $4,865) in general and administrative expenses. Included in prepaid expenses and deposits are deposits on equipment of $54,837. The Company has a purchase commitment of US$21,704 related to this equipment. Included in plant is $68,077 for assets that have not been put into use and are therefore not depreciated.

(Expressed in Canadian Dollar)

12 Intangible assets

	Patents	Customer relationships	Brand names	2024 Totals
Cost				
Balance - January 1, 2024	170,000	-	-	170,000
Acquisition of Keystone	-	341,353	66,003	407,356
Balance - December 31, 2024	170,000	341,353	66,003	577,356
Accummulated amortization				
Balance - January 1, 2024	6,334	-	-	6,334
Amortization	18,616	5,705	3,677	27,998
Balance - December 31, 2024	24,950	5,705	3,677	34,332
Net book value - December 31, 2024	145,050	336,648	62,326	543,024

	Patents	Customer relationships	Brand names	2023 Totals
Cost				
Balance - January 1, 2023	170,000	-	-	170,000
Additions	-	-	-	-
Balance - December 31, 2023	170,000	-	-	577,356
Accummulated amortization				
Balance - January 1, 2023	-	-	-	-
Amortization	6,334	-	-	6,334
Balance - December 31, 2023	6,334	-	-	6,334
Net book value - December 31, 2023	163,666	-	-	163,666

Amortization of $9,382 (2023 – $nil) is included in general and administrative expenses and $18,616 (2023 – $6,334) is included in research and development expenses.

13 Long term investment

The investment in common shares of a private corporation is classified as FVTPL. As at December 31, 2024, the estimated fair value of the common shares was $499,200 (2023 – $330,000). The Company applied the market approach in determining the fair value. The Company's significant unobservable inputs used in estimating the fair value of the investment are the annual revenues of the private corporation and a Price-to-Revenue ratio of 3.77:1 (2023 – 4.25:1). A 5% increase or decrease to either input would result in an increase or decrease in the fair value of $24,960 (2023 – $16,500). During the years ended December 31, 2024, a fair value gain of $169,200 (2023 – $120,000) was included in net income (loss) and comprehensive income (loss).

14 Leases

The Company has applied the short-term lease exemption under IFRS 16 to certain lease arrangements. The exemption is applied for leases that have a non-cancelable lease term of 12 months or less. As a result, no right-of-use asset or lease liability has been recognized for these leases, and the lease payments are expensed on a straight-line basis over the lease term. The Company entered into lease agreements for office space with non-cancelable lease terms of 12 months, which expire on July 31, 2024 and August 31, 2024. The leases include options to renew for an additional 4 years and 1 year, respectively. However, based on management's current operational plans, the Company has assessed that it is unlikely to exercise the renewal option, and as a result, the renewal period has not been included in the lease term for the purposes of IFRS 16.

For the year ended December 31, 2024, the Company has recognized lease-related expenses of $130,773 in the consolidated statement of income (loss) and comprehensive income (loss) in respect of short term leases. The Company expects the remaining lease payments related to these short-term leases to be $151,812 for the remainder of the non-cancelable lease term.

If the company were to exercise the renewal option at the end of the non-cancelable lease term, future cash outflows of approximately $242,457 per year would be incurred. These potential future lease payments are not included in the fair value of lease liabilities, as the renewal option is unlikely to be exercised.

The company has also entered into lease agreements for various items of equipment that are not material to the Company’s overall financial position or performance. These leases primarily include lab and office equipment, and the total value of these leases is not significant. In accordance with IFRS 16, the company has assessed the materiality of its equipment leases. Based on the assessment, these leases are not considered material to the company's consolidated financial statements, either individually or in aggregate. As such, the company has elected not to provide detailed disclosures on these leases. The company recognizes lease payments for non-material equipment leases as an expense on a straight-line basis over the lease term. These payments are not capitalized as right-of-use assets or lease liabilities due to the immaterial nature of the leases.

For the year ended December 31, 2024, the company has recognized lease expenses related to non-material equipment leases totaling $4,488 (2023 – $3,000). The Company recognized $nil (2023 – $557) in interest expense on lease. The Company also recognized $nil (2023 – $37,591) as repayments on the lease liability in the consolidated statement of cash flows.

15 Grants

The Company qualified for the Innovation Employment Grant (“IEG”) with respect to qualifying research and development expenditures incurred in 2023. The total amount of IEG received and recognized was $24,782 (2023 – $33,439), which is recorded as grants.

On January 19, 2024, the Company signed an agreement to receive funding under the Industrial Research Assistance Program (“IRAP”). The agreement provides for non-refundable contributions to be provided to the Company as reimbursement of approved cost incurred at a rate of 80%. IRAP will contribute a maximum of $75,000 towards the project with an anticipated completion on or before March 31, 2025. The total amount of IRAP grant received and recognized was $59,277 (2023 – $nil), which is recorded as grants.

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. The Company is required to contribute $100,000 towards the project to qualify for the non-refundable contributions. Alberta Innovates will contribute a maximum of $300,000 towards the project with an anticipated completion in November 2025. The total amount recognized was $139,544 (2023 – $7,995), which was recorded as grants. Grant funds of $42,461 (2023 – $82,005) is deferred is being recognized straight line over the term of the funding agreement.

(Expressed in Canadian Dollar)

16 Share capital

a) Authorized

Unlimited number of Class A common, voting shares

Issued and outstanding

	2024		2023	
	#	$	#	$
Opening balance at January 1	38,979,612	7,702,216	38,909,612	7,695,237
Shares issued on option exercise	241,512	52,377	70,000	6,979
Shares issued in private placement	8,846,152	872,946	-	-
Shares issued in business combination	1,666,907	216,698	-	-
Closing balance at December 31	49,734,183	8,844,237	38,979,612	7,702,216

b) Warrants

The Company completed a private placement on November 5, 2024, under which 8,846,152 Units were issued at a price of $0.13 per Unit for gross proceeds of $1,150,000. Each Unit was comprised of one (1) common share and one half (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) additional common share at a price of $0.17 per common share for a period of one (1) year following the date of closing. Issuance cost of $20,958 resulted in net proceeds of $1,129,042 of which $256,096 were attributed to warrants.

During the year warrants expired unexercised on September 2, 2024. As a result, the fair value of $159,543 previously recognized was transferred to contributed surplus.

The fair value of the warrants was determined using the Black-Scholes option pricing model, with the following assumptions:

Dividend Yield	Nil%
Expected volatility	136.38%
Risk-free interest rate	3.24%
Expected life of warrants	1 years

c) 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.

(Expressed in Canadian Dollar)

During the year, the Company issued 77,512 shares pursuant to the exercise of employee and directors stock options under its equity-settled share-based payment plan. These options were settled via a net share settlement, whereby employees received a reduced number of shares in lieu of paying the exercise price in cash. The total number of shares withheld was 194,488, representing the value of the exercise price and taxes due. This transaction is classified as equity-settled under IFRS 2 and did not result in any cash inflow or outflow. The Company also issued 164,000 shares pursuant to the exercise of employee and directors stock options for a cash consideration of $14,400. The Company recognized stock-based compensation expense of $49,634 for the year ended December 31, 2024 (2023 – $27,173).

2024 transactions

On December 12, 2023, the Company granted to employees 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 stock-based compensation expense was recognized in May 2024. 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

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 vested immediately. The estimated fair value of these options is $0.1157 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	126.32%
Risk-free interest rate	3.35%
Expected life of options	5 years

2023 transactions

On October 12, 2023, the Company granted to directors 125,000 stock options at an exercise price of $0.12 with an expiry date of October 11, 2028. These stock options vested immediately. The estimated fair value of these options is $0.0834 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	123.41%
Risk-free interest rate	4.04%

(Expressed in Canadian Dollar)

Expected life of options	5 years

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

	2024		**2023**	
	Stock options	**Weighted average exercise price**	**Stock options**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Outstanding balance at January 1	2,098,000	0.12	1,582,000	0.15
Granted	290,000	0.18	700,000	0.16
Exercised	(436,000)	0.10	(70,000)	0.05
Expired	(12,000)	0.05	(114,000)	0.23
Forfeited	(85,000)	0.19	-	-
Outstanding balance at December 31	1,855,000	0.13	2,098,000	0.12
Exercisable at December 31	1,537,534	0.16	1,655,192	0.15

	2024			
	Outstanding			**Exercisable**
Range of exercise price	**Number of shares**	**Weighted average exercise price**	**Weighted average contractual life**	**Number of shares**
$	**#**	**$**	**(years)**	**#**
0.05 to 0.10	815,000	0.09	1.28	497,534
0.11 to 0.20	850,000	0.16	1.46	850,000
0.21 to 0.45	190,000	0.21	0.08	190,000
	1,855,000	0.13	2.82	1,537,534

(Expressed in Canadian Dollar)

	2023			
	Outstanding			Exercisable
Range of exercise price	**Number of shares**	**Weighted average exercise price**	**Weighted average contractual life**	**Number of shares**
$	**#**	**$**	**(years)**	**#**
0.05 to 0.10	673,000	0.08	0.50	673,000
0.11 to 0.20	1,200,000	0.13	3.98	757,192
0.21 to 0.45	225,000	0.21	0.19	225,000
	2,098,000	0.12	4.67	1,655,192

d) Income/(loss) per share

	2024	2023
	$	$
Calculation of basic income/(loss) per share		
Net income	214,755	(157,582)
Number of common shares at January 1	38,979,612	38,909,612
Weighted average number of common shares issued during the year	1,692,396	4,575
	40,672,008	38,914,187
Basic income/(loss) per share	0.005	(0.004)

	2024	2023
	$	$
Calculation of diluted income/(loss) per share		
Adjusted net income	214,755	(157,582)
Weighted average number of common shares from basic income per share	40,672,008	38,914,187
Effect of dilution from:		
Share options	306,992	210,104
	40,979,000	39,124,291
Basic income/(loss) per share	0.005	(0.004)

(Expressed in Canadian Dollar)

17 Income taxes

a) Income tax expense

The tax on the Company’s income (loss) before tax differs from the theoretical amount that would arise using the statutory rate applicable to the Company as follows:

	2024 $	2023 $
Income (loss) before income taxes	214,755	(157,582)
Tax calculated at applicable statutory tax rates applicable to profit	49,000	(43,000)
Tax effects of:		
Tax losses and other items for which no deferred income tax asset was recognized	(49,000)	43,000
Adjustment in respect to prior years	-	-
Tax charge	-	-

The statutory tax rate was 23% (2023 – 27%).

b) Future income tax

The Company’s deductible temporary differences include the following:

	December 31, 2024 $	December 31, 2023 $
Share issuance costs	17,000	2,000
Property, plant and equipment	995,000	1,048,000
Intangibles assets	(543,000)	-
Long term investments	(349,000)	-
Non-capital losses	2,925,000	2,792,000
SR&ED expenditure pool	3,689,000	3,483,000
Contingent consideration	243,000	-
	6,977,000	7,325,000

Future income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize future income tax assets of $1,645,000 (2023 – $1,977,000) in respect of deductible temporary differences amounting to $6,977,000 (2023 – $7,325,000) that can be carried forward against future taxable income. Included in these deductible temporary differences are non-capital losses of $2,925,000 (2023 – $2,792,000) that can be carried forward to use against future taxable income. These non-capital losses expire based on the dates listed below. Also included in these deductible temporary differences are scientific research and experimental development (SR&ED) pool expenditures amounting to $3,689,000 (2023 – $3,483,000) that can be carried forward to use against future net income for tax purposes. These SR&ED pool expenditures do not expire.

(Expressed in Canadian Dollar)

The Company did not recognize the benefits of non-refundable research and development tax credits amounting to $1,050,000 (2023 – $1,018,000). These tax credits can be carried forward against future federal income tax payable.

The non-capital losses and non-refundable research and development tax credits will expire as follows:

	Non-capital loss carry-forwards	**Federal investment tax credits**
	$	**$**
2025	-	29,000
2026	-	32,000
2027	-	52,000
2028	-	158,000
2029	-	151,000
2030	-	130,000
2031	502,000	147,000
2032	666,000	152,000
2033	968,000	9,000
2034	482,000	19,000
2035	-	33,000
2036	-	16,000
2037	75,000	7,000
2038	76,000	15,000
2039	15,000	4,000
2040	-	13,000
2041	-	19,000
2042	-	32,000
2043	140,000	32,000
	2,924,000	1,050,000

(Expressed in Canadian Dollar)

18 Expenses by nature

	2024 $	2023 $
Employee Compensation		
Salaries and wages	1,284,281	784,591
Share-based payments	49,635	27,173
Short-term benefits	-	33,284
	1,333,916	845,048
Depreciation	33,646	71,930
Amortization	27,997	6,334
Professional and Consulting Fees	204,691	137,536
Rent, Utilities and Maintenance	166,192	83,677
Materials and Supplies	412,037	319,360
Computer and Telecommunication	15,480	12,878
Other Expenses	109,445	86,565
Marketing and Business Development	66,560	40,409
Grants and Tax Credits	(223,602)	(41,434)
	2,146,362	1,562,303

19 Related party transactions

Certain related parties provide services to the Company either directly or through companies that they control. Fees (net of GST) charged by such companies for administrative and professional services were as follows:

	Relationship	Transaction	2024 $	2023 $
Bernard Grobbelaar, CPA	Chief Financial Officer	Salaries and wages	83,080	64,381
David Tam, Parlee McLaws LLP	Corporate secretary, legal counsel and Director	Professional and consulting fees	116,895	50,983
Dr. James Timorian	President and Director	Professional and consulting fees	-	12,000

At December 31, 2024, $81,167 (2023 – $12,447) remained outstanding and is included in accounts payable and accrued liabilities. These services are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollar)

Compensation of key management

Key management include the Company's directors and officers. Compensation awarded to key management included:

	2024 $	2023 $
Salaries and short term employee benefits	457,870	316,493
Share based payments	49,635	10,323
	507,505	326,816

20 Net change in non-cash working capital items

	2024 $	2023 $
Short term investments (excluding fair value changes)	68,136	1,397
Trade and other receivables	(430,170)	(22,898)
Indirect taxes receivable	(12,634)	5,842
Inventory	(58,348)	(27,860)
Unbilled revenue	(34,556)	(16,678)
Prepaid expenses and deposits	(79,379)	420
Accounts payable and accrued liabilities	151,011	17,884
Deferred revenue	24,029	(10,217)
	(371,911)	(52,110)
Add: cash gain on disposal of short term investments	2,701	-
Add: net working capital acquired in business combination	163,367	-
Less: trade and other receivables related to shares issued on exercise of options	-	3,500
	(205,843)	(48,610)

21 Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, corporate, administration and marketing expenses, working capital and overall capital expenditures. The Company makes every attempt to manage its liquidity to minimize shareholder dilution whenever possible.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit. No quantitative targets or benchmarks are used in managing capital.

Since inception, the Company has primarily financed its liquidity through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as research grants, interest income and revenue from contract research activity.

(Expressed in Canadian Dollar)

The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period.

22 Financial instruments

Financial instruments consist of recorded amounts of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities.

a) Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized cost; fair value through other comprehensive income ("FVOCI"). The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	2024	2023
		$	$
Cash and cash equivalents	FVTPL	725,399	160,521
Short term investments	FVTPL	-	68,136
Trade and other receivables	Amortized cost	638,014	207,844
Long term investments	FVTPL	499,200	330,000
Accounts payable and accrued liabilities	Amortized cost	(286,939)	(135,928)
Contingent consideration	FVTPL	(243,370)	-

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for trade and other receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash and cash equivalents and short term investments under the fair value hierarchy is measured using Level 1. The Company's fair value of long term investments and contingent consideration under the fair value hierarchy are measured using Level 3.

b) Credit risk

Credit risk arises from the potential that a counterparty will cause a financial loss by failing to discharge an obligation. The Company is exposed to credit risk through its cash and cash equivalents, and trade and other receivables. The Company deposits its cash with a major Canadian bank. The Company assesses its credit risk on a regular basis and records an allowance to provide for anticipated credit losses. The Company conducts business with a variety of customers; however, a small number of customers may comprise a significant proportion of revenue in any given period, thereby giving rise to a concentration of credit risk. See note 9 for further details.

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company earns the majority of its revenue in United States dollars. The Company also incurs expenses in United States dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company believes that the results of operations and cash flows could be affected by changes in foreign exchange rates, but would not significantly impact its ability to meet its obligations.

Gains and losses arising from fluctuations in US dollar exchange rates are reflected in general and administrative expense for the year. The Company recorded a foreign exchange gain of $17,101 in 2024 (2023 – loss of $34,951).

The following table summarizes accounts denominated in US dollars at December 31:

	2024	**2023**
	$	**$**
Table of amounts denominated in US dollars		
Cash and cash equivalents	143,691	71,521
Trade and other receivables	398,123	204,335
Accounts payable and accrued liabiliies	(6,941)	(51,337)
	534,873	224,519
Table of amounts denominated in Euros		
Accounts payable and accrued liabilities	(10,377)	-

The following exchange rates applied at December 31:

	2024	**2023**
	$	**$**
US$ - CAD$	1.439305	1.324670
EUR - CAD$	1.489880	-

Based on the Company's foreign currency exposures noted in the table above, varying the above foreign exchange rates to reflect a 10% strengthening of the Canadian dollar would have resulted in a decrease in the net income (loss) and comprehensive income (loss) of $52,449 (2023 – increase in net loss of $27,419), assuming all other variables remained constant.

An assumed 10% weakening of the Canadian dollar would have had an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

d) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to nominal interest rate risk arising from fluctuations in interest rates on its cash and cash equivalents. Trade and other receivable, and accounts payable and accrued liabilities bear no interest.

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities which are due within one year of the balance sheet date. The Company's planned level of expenditures for 2025 does not exceed its committed sources of funds.

23 Segments

a) Basis of Segment Reporting

The company's operations are organized into two reportable segments: Innovotech and Keystone Labs. These segments are identified based on the internal reports regularly reviewed by the Company's chief operating decision makers (CODM) to allocate resources and assess performance.

b) Description of Reportable Segments

- **Innovotech**: This segment is involved in selling products to the medical research market, providing contract research services to entities performing biomedical research and performing research and development activities on its own proprietary compounds. The products are sold from Canada and the services are performed in Canada to clients in Canada, the United States and Internationally.
- **Keystone**: This segment is engaged in providing analytical testing services supporting pharmaceutical, medical device, biotechnology, and nutraceutical industries. The services are performed in Canada with nearly all its clients in Canada.

c) Financial Information by Segment

The following table presents the revenue, profit, and other relevant financial information regarding the company's reportable segments for the year ended December 31, 2024:

(Expressed in Canadian Dollar)

	Innovotech	Keystone	Total Segments	Reconciling Items	Consolidated Total
Revenue					
External revenue	1,985,339	209,132	2,194,471	-	2,194,471
Inter-segment revenue	-	-	-	-	-
Total revenue	1,985,339	209,132	2,194,471	-	2,194,471
Segment profit	196,606	52,789	249,395	(34,640)	214,755
Segment assets	2,753,886	451,670	3,205,556	14,374	3,219,930
Segment liabilities	312,569	373,152	685,722	(88,922)	596,799
Other Information					
Depreciation & amortization	(30,676)	(2,876)	(33,552)	(28,091)	(61,643)
Finance income	2,993	-	2,993	-	2,993
Finance expenses	(3,410)	-	(3,410)	(6,549)	(9,959)
Fair value changes	173,612	-	173,612	-	173,612

d) 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.

	2024	2023
Revenue by geographic region:	**$**	**$**
Canada	217,562	20,589
United States	1,721,442	1,035,348
International	255,467	126,694
Total Revenue	2,194,471	1,182,631

All of the Company’s non-current assets are located in Canada.

24 Reclassification of comparative figures

During the year ended December 31, 2024, the Company reviewed its financial statement presentation and made certain adjustments to the classification of prior period balances to conform to the current year’s financial statement presentation. These reclassifications were made to improve the consistency and clarity of the financial information and better align with the Company's current accounting policies and presentation.

The reclassifications primarily affected the previously reported Consolidated Operations and Comprehensive Income (Loss). Certain expenses related to "General and administrative expenses" have been reclassified to "Cost of sales" and “Research and development expenses” to align with the current year’s allocation. The Company also reclassified expenses within note 18 Expenses by nature to improve the consistency and clarity of the financial information and better align with the Company's current accounting policies and presentation. The reclassifications did not affect the previously reported profit for the comparative period or the total expenses reported in note 18.

These reclassifications have no impact on the total assets, total liabilities, equity, or net profit previously reported. They are purely presentational changes to improve the comparability and usefulness of the financial statements.

25 Subsequent events

A key client entered into an agreement with the Company to expedite work on their projects for 2025. The agreement is structured with an upfront payment, which will be recognized over the life of the agreement and subsequent monthly invoicing. The agreement is cancelable, but payments received are non-refundable.

The Company created an operating entity, Innovotech Labs Corporation ("ILC" or "Innovotech Labs"), a wholly owned subsidiary. The Company's existing operations will be transferred to ILC and will continue unchanged. The change in structure better aligns with the Company's strategic objectives going forward and will allow the Company to utilize some of is tax pools, including non-capital loss carried forward. Subsequent to this change, ILC and KLI will be the Company's operating segments.

In January 2025, the Company signed a lease agreement, on month-to-month terms. The Company will apply the short-term lease exemption under IFRS 16 to this lease agreement.