

**Management Discussion and Analysis**  
**(Expressed in Canadian Dollars)**

# **Innovotech Inc.**

Three-months Ended 31 March 2025 (as of 13 May 2025).

# MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Condition and Results of Operations for the Three-months Ended 31 March 2025  
(as of 13 May 2025).

*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 including government organizations; 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; progress and cost of clinical trials; 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 31 March 2025, should be read in conjunction with the unaudited financial statements of Innovotech Inc. ("Innovotech", "we", or "the Company") for the quarter ended 31 March 2025, and the related notes thereto. This MD&A is provided by management using information available up to 13 May 2025. 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.sedarplus.ca](http://www.sedarplus.ca), or at [www.innovotech.ca](http://www.innovotech.ca)*

## OVERVIEW OF THE BUSINESS

Innovotech Inc. (The Company, IOT) is a diversified technologies company with business activities in microbiology and chemistry services, the production and sale of laboratory consumable products, and the development and commercialization of new technologies. The Company is organized into operating subsidiaries based on different industry verticals, analytical methods, quality systems, and certifications. Innovotech has well-established offerings in antimicrobial contract services and is the preferred vendor for several global medical device companies. The Company's newly acquired Keystone Labs subsidiary ("KLI") is a boutique analytical and microbiology services organization, operating in the pharmaceutical, industrial and biotechnology sectors. The Company owns a 60% interest in NouLife Sciences Inc. ("NSI"), a company that owns intellectual property for linked anti-oxidant molecules commonly used in skin care and in the treatment of certain medical conditions. Innovotech Inc. is a public company listed on the TSX Venture Exchange under the trading symbol IOT. Its registered office and laboratories are at 2011-94 St NW, Suite L131, Edmonton, Alberta, Canada.

## BUSINESS STRATEGY

The Company aims to grow as a diversified technologies company, leveraging global client relationships and deep expertise in microbial contract research and analytical testing services, and to expand through corporate acquisitions, internal sales efforts and targeted R&D yielding commercial outcomes.

The Company is a leader in a niche market related to testing and qualifying medical devices such as catheters, implants, and other products for 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. The Company's newly formed Innovotech Labs Corporation ("ILC") subsidiary 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) and designs and executes custom tailored testing for client-developed medical devices.

Through the recently acquired Keystone Labs subsidiary, Innovotech aims to expand microbial and analytical chemistry services across the Canadian marketplace. The Company has developed a strong foothold in western Canada with a Drug Establishment License and a reputation for client satisfaction. Leveraging relationships with regulatory consultants and pharmaceutical supply chain professionals, the Company will continue to pursue

opportunities to educate clients on regulations and follow up support with required services such as environmental monitoring and product stability testing.

Innovotech also manufactures and sells several types of its MBEC Assay® Kits, which keeps its name in the forefront of antimicrobial research and medical device testing. The association of the kits with its contract research services contributes effectively to Innovotech's contract research marketing efforts. The Company applies proprietary coatings on kits tailored to laboratory testing requirements.

The Company has an intellectual property portfolio that includes a family of silver periodate antimicrobial compounds marketed as InnovoSIL™ silver. The active R&D program aims to secure commercial partners for InnovoSIL™ silver, develop and validate new test methods for use in contract research, develop new antimicrobials, and develop new products in the MBEC Assay® Kit line.

## Q1-2025 EVENTS

### Business Updates

Revenue growth has continued to be strong reflecting on-going project activities from a limited number of clients. In one example, a client has issued a substantive purchase order to expedite work on their projects for 2025. The agreement is structured with an upfront payment and subsequent monthly invoicing. The agreement is cancellable, but payments received are non-refundable. The payments support additional hiring for greater responsiveness to that particular client, and any spare capacity may be redirected to internal R&D efforts.

In support of this agreement, the Company had announced on February 3, 2025 that it had leased an additional 1,390 square feet of laboratory space hired new staff.

The growth spurred by these activities enables the Company to develop deeper bench strength in the team and is accompanied by a heavier cost. Management is cognizant that current client projects have a finite end and marketing and business development activities are continually increasing to buffer the anticipated tapering off from current projects.

The Company created an operating company, Innovotech Labs Corporation ("ILC" or "Innovotech Labs"), a wholly owned subsidiary. This new entity encompasses the Company's contract research, MBEC Assay® Kit production, and antimicrobial silver R&D activities. This development mirrors the corporate structure established with Innovotech's other operating company, Keystone Labs Inc.

## **SUBSEQUENT EVENTS**

The Company, through its subsidiary Innovotech Labs Corporation, is receiving advisory services and research and development funding of up to \$150,000 CAD from the National Research Council Industrial Research Assistance Program (NRC-IRAP) to support the development of new antimicrobial testing services for use with medical devices such as catheters, implants, and wound dressings. Innovotech Labs Corporation is also receiving funding of up to \$30,000CAD through the NRC-IRAP Youth Employment Program to support the hiring of a young graduate to work on the development of antimicrobial silver compounds with complementary properties to InnovoSIL™-1 silver for expanded applications.

Recently, Dr. Nadworny, Chief Scientific Officer, presented a poster at the Symposium on Advanced Wound Care - Wound Healing Society Conference 2025, which generated new interest in InnovoSIL™-1 silver.

The Company also purchased client lists, website assets, domains, and email addresses from BDS Microbial Services Inc. (bdslabs.com), a microbiology and analytical lab in Qu'Apelle, Saskatchewan. This asset purchase supports new opportunities for Keystone Labs.

## **PERFORMANCE IN THE FISCAL QUARTER TO 31 MARCH 2025**

### **Three Month Financial Results to 31 March 2025 (Q1)**

#### **Q1-2025 Summary**

Revenue more than tripled from Q1-2024, reaching \$1,158,185, up from \$313,976 last year. Net and comprehensive income for the quarter was \$63,523, up from a loss of \$102,201 in Q1-2024.

Services revenue was responsible for most of the improved performance. These numbers are strengthened by both solid performance of contract research at Innovotech Labs and the contribution of services revenue from Keystone Labs, both operating subsidiaries of the Company. Product sales were up 28.3% compared to the previous comparable quarter. Price increases, introduced in January 2025 account for a portion of this; unit sales have also increased and may have impact from perceived or threatened tariffs on Canadian goods entering the US and advance buying from clients.

Operating expenses have increased in the quarter to \$553,414 over Q1-2024, \$210,188. Note that, in late 2024, the Company reviewed its classification and presentation of expenses, making some changes to better align with management tracking. The resultant changes

more accurately represent the position of the company and are presented in the associated financial statements for this period.

### Q1-2025 Revenue & Gross Profit

Period	Q1-2025 (\$)	Q1-2024 (\$)	Change (%)
Services revenue	1,100,134	268,745	309.4
Product sales	58,051	45,231	28.3
<b>Gross revenue</b>	<b>1,158,185</b>	<b>313,976</b>	<b>268.9</b>
Cost of sales	536,955	221,405	142.5
<b>Gross profit</b>	<b>621,230</b>	<b>92,572</b>	<b>571.1</b>
Gross profit (%)	53.6%	29.5%	24.2

### Q1-2025 Operating Expenses & Net Income

Period	Q1-2025 (\$)	Q1-2024 (\$)	Change (%)
General and administrative	468,749	181,707	158.0
Marketing and business development	19,978	7,242	175.9
Research and development	88,509	27,410	222.9
Grants and tax credits	(23,822)	(15,171)	57.0
<b>Operating Expenses</b>	<b>553,414</b>	<b>201,188</b>	<b>175.1</b>
Finance income	3,295	2,003	64.5
Finance expenses	(8,214)	-	-
Fair value changes	626	4,412	85.8
Net finance income (expense)	(4,293)	6,415	166.9
<b>Net and Comprehensive income (loss)</b>	<b>62,523</b>	<b>(102,201)</b>	<b>162.2</b>

### EBITDAS

This MD&A makes reference to “EBITDAS”, which is a non-GAAP financial measure. EBITDA is defined as net income (loss) before interest, income taxes, depreciation, and amortization and stock-based compensation. Management believes EBITDAS is a useful measure to assess the Company’s operating performance as it provides a more consistent basis for comparison between periods by excluding items that are not reflective of the Company’s underlying business operations. EBITDAS is not a standardized financial measure under IFRS and may not be comparable to similar measures disclosed by other issuers. This measure should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. A reconciliation of EBITDAS to net income (loss), the most directly comparable financial measure disclosed in the financial statements, is provided below.

Period	Q1-2025 (\$)	Q1-2024 (\$)
Earnings	63,523	(102,201)
Depreciation and amortization	31,307	14,292
Share-based compensation	2,898	-
Finance expense	8,214	-
Finance income	(3,295)	(2,003)
<b>EBITDAS</b>	<b>102,647</b>	<b>(89,912)</b>

## Segments

	Innovotech	Keystone	Total Segments	Reconciling Items	Consolidated Total
<b>Revenue</b>					
External revenue	843,177	315,008	1,158,185	-	1,158,185
Inter-segment revenue	-	-	-	-	-
<b>Total Revenue</b>	<b>843,177</b>	<b>315,008</b>	<b>1,158,185</b>	<b>-</b>	<b>1,158,185</b>
Segment profit	69,532	20,003	89,535	(26,012)	63,523
Segment Assets	3,199,329	493,808	3,693,137	(317,764)	3,375,373
Segment liabilities	695,773	395,287	1,091,060	405,239	685,821

The Company operations are segmented into operating divisions reported as Innovotech and Keystone Labs.

## Assets, Liabilities & Shareholders' Equity

The Company has a growing balance sheet with \$3,375,373 in total assets, up from \$3,219,930 in Q4-2024. Working capital on March 31, 2025 was \$1,378,600. The Company has no term repayable debt and long-term liabilities are comprised of contingent consideration payable to former Keystone Labs Inc. shareholders for achieving certain revenue and profit targets over the next 3 years. The Company trade and other receivables are valued at \$630,986 and clients typically pay in 30-90 days. Shareholders' equity increased 2.5% in the quarter to \$2,689,552.



<b>Balance As Of</b>	<b>31-Mar-25</b>	<b>31-Dec-24</b>	<b>% change</b>
Current assets	1,805,100	1,676,950	7.6%
Property & Equipment	546,333	500,756	9.1%
Intangible Assets	524,740	543,024	3.4%
Long Term Investments	499,200	499,200	-
<b>Total assets</b>	<b>3,375,373</b>	<b>3,219,930</b>	<b>4.8%</b>
Current liabilities	532,242	421,025	25.1%
Long-term liabilities	153,579	175,744	12.6%
<b>Total liabilities</b>	<b>685,821</b>	<b>596,769</b>	<b>14.0%</b>
<b>Shareholders' equity</b>	<b>2,689,552</b>	<b>2,623,161</b>	<b>2.7%</b>
	<b>3,375,373</b>	<b>3,219,930</b>	<b>4.8%</b>

## Liquidity & Capital Resources

As of March 31, 2025, the Company continues to maintain a healthy balance sheet with cash of \$829,408, trade and other receivables of \$630,986. The Company had working capital of \$1,378,600 and, as Innovotech has no term repayable debt, the Company is therefore presently funded to conduct its business and to meet its obligations in the ordinary course of business as they come due.

## Selected Quarterly Financial Information

	<b>2025</b>		<b>2024</b>			<b>2023</b>		
<b>Period</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
Revenue	1,158,185	1,045,837	436,071	398,587	313,976	341,106	174,811	411,023
Cash from operations	186,983	(13,852)	38,083	(70,273)	(35,602)	23,933	(217,307)	6,198
Net Income (Loss)	63,523	453,073	(21,300)	(114,817)	(102,201)	(195,941)	(117,546)	72,900
Shareholders' Equity	2,689,552	2,623,131	1,070,303	797,090	897,598	998,599	982,427	1,047,403
Earnings per share	-	0.01	-	-	-	-	-	-

## Contractual Obligations

None.

## Share Capital

As at the date of this MD&A, there are 49,734,183 Class A common shares issued out of an unlimited number of Class A voting shares. No changes in share capital occurred during this quarter.

## Outstanding Stock Options

The Company has a balance of options outstanding on March 31, 2025 of 1,855,000. Of these 1,568,356 are currently exercisable at a weighted average price of \$0.16.

## Warrants

The Company completed a private placement on November 4, 2024, resulting in 4,423,076 warrants outstanding and exercisable at \$0.17 until November 6, 2025.

## OUTLOOK

The Company sees a strong continuation of its contract research and other services through 2025, driven by the momentum of several ongoing large client projects. The Company's activities to scale up capacity with additional personnel, lab space and equipment are well-positioned to support this sustained activity. A key effort will be active promotion of new encrustation assay services. Innovotech has high potential to become a market leader in this area.

The Company has also doubled its capacity for high-performance liquid chromatography (HPLC) analysis and new equipment is expected to be online and ready for use by Q2-2025. This expansion will enable more efficient completion of method development projects. In addition, the installation of a new stability chamber has increased capacity for stability studies. Together, these enhancements create a cycle of growth that supports long-term customer retention: method development projects seamlessly transition into stability studies with additional analytical testing, and upon completion, advance into routine testing during product manufacturing.

The Company is also exploring more direct commercialization of InnovoSIL™ silver and is researching product opportunities and go-to-market plans to supplement the existing strategy of collaborating on product development and licensing.

## Research and Development

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

Development of InnovoSIL™-1 silver continued over Q1-2025 with support from the AICE-Validates funding. Testing towards better understanding InnovoSIL™-1 silver's unique mechanisms of action was successful. As well, elution profiles and stability testing of optimized processes for coating onto wound dressing materials and soft polymers was ongoing. Initial trials involving 3D printing with InnovoSIL™-1 silver incorporated into the resin were successful, and optimization is underway, which will be followed by characterization of 3D printed resins containing InnovoSIL™-1 silver, including elution profiles, stability testing, and antimicrobial testing. Also during Q1-2025, novel techniques were trials for coating InnovoSIL™-1 silver onto metals, and a collaboration for development of additional coating methods for various surfaces of interest was initiated.

Subsequent to Q1, Innovotech Labs also received funding of up to \$30,000 CAD through the NRC IRAP Youth Employment Program to support the hiring of a young graduate to work on development of additional members of the InnovoSIL™ family. These soluble high oxidation state silver compounds share many of the advantages of InnovoSIL™-1 silver, but will be effective in situations where having a higher solubility antimicrobial is beneficial, such as applications using sprays, wipes, and flushes.

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 significant effort on expanded capabilities with anti-encrustation assays. 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 was partially supported by an ARP from NRC-IRAP to offset salary costs associated with the project through Q1 2025. Work in Q1 focused on more ruggedness testing of the encrustation assay, which is near completion and initial validation of static and dynamic intraluminal models was performed. Work will continue into Q2 2025, focusing on completing the above validations, and additional work with clinically relevant strains of microorganisms, allowing Innovotech to expand its service offerings in this field. Innovotech also continued internal validation of additional standard test methods that can be offered to clients via its contract research.

As described earlier, ILC is receiving advisory services and research and development funding of up to \$150,000 CAD from NRC-IRAP to support the development of new antimicrobial testing services for use with medical devices such as catheters, implants, and wound dressings.

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. Additional trials with regards to their biofilm formation supporting capabilities were completed in Q12025, and the evaluation period was extended to allow for subsequent testing that will focus on the imaging capabilities of these designs.

## **Risk Management**

Innovotech recognizes geopolitical risk, 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.

### **Geopolitical Risk**

Recent events from the US government, specifically a dramatic shift in the tone of Canadian-US relations and the application of wide-ranging tariffs for many countries, have sent turmoil and confusion around the world. As of the writing of this MDA, Innovotech's business has not been directly impacted by the events. The Company will continue to monitor the situation and seek opportunities to leverage "made in Canada" sentiment and expand non-US revenues.

### **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 2025 operational expenditures do not exceed its committed sources of funds and reasonably expected revenues. As of March 31, 2025, Innovotech's current assets were \$1,805,100 and its current liabilities were \$532,242.

## **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 3 to the Company's Annual Financial Statements as of 31 March 2025.

**End.**