

Innovotech Inc.

Consolidated Financial Statements
December 31, 2025 and 2024
(Expressed in Canadian Dollar)



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, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, 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, 2025. 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, 2025, the Company recognized services revenue of \$4,223,464. 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 quantitatively significant and management's estimation of the percentage of completion requires judgement. See Note 4 to the financial statements.

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's policy for recognizing revenue.
- 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.

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.

Vancouver, B.C.
March 31, 2026

"D&H Group LLP"
Chartered Professional Accountants

Innovotech Inc.

Consolidated Statement of Financial Position

As at December 31, 2025 and 2024

(Expressed in Canadian Dollar)

	Notes	December 31, 2025 \$	December 31, 2024 \$
Assets			
Current assets			
Cash and cash equivalents		1,619,586	725,399
Trade and other receivables	6	688,300	638,014
Indirect taxes receivable		29,408	19,604
Inventory	7	185,451	128,360
Unbilled revenue		189,520	51,234
Prepaid expenses and deposits	8	310,163	114,339
		3,022,428	1,676,950
Property, plant and equipment	8	897,931	500,756
Intangible assets	9	474,526	543,024
Long term investment	10	37,992	499,200
		4,432,877	3,219,930
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		376,268	286,939
Deferred revenue		71,105	24,029
Income tax payable	16	1,059	-
Current portion of deferred grants	12	3,025	39,436
Current portion of contingent consideration	13	70,621	70,621
		522,078	421,025
Deferred grants	12	-	3,025
Contingent consideration	13	102,128	172,749
Convertible debenture	14	160,470	-
		784,676	596,799
Equity			
Shareholders' equity	15	3,596,981	2,565,111
Non-controlling interest		51,220	58,020
		3,648,201	2,623,131
		4,432,877	3,219,930

Approved by the Board of Directors

Director
(Signed) "Craig Milne"

Director
(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, 2025 and 2024

(Expressed in Canadian Dollar)

	Notes	Share capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total Shareholders' equity \$	Non- controlling interest \$	Total \$
Balance - January 1, 2025		8,844,237	256,096	1,789,634	(8,324,856)	2,565,111	58,020	2,623,131
Net and comprehensive income (loss) for the year		-	-	-	94,375	94,375	(6,800)	87,575
Shares issued on option exercise	15(a)	96,274	-	(54,873)	-	41,401	-	41,401
Warrants expired	15(b)	-	(5,211)	5,211	-	-	-	-
Shares issued on warrants exercise	15(b)	987,507	(250,885)	-	-	736,622	-	736,622
Equity portion of convertible debenture issued	14	-	-	39,530	-	39,530	-	39,530
Stock based compensation	15(c)	-	-	119,942	-	119,942	-	119,942
Balance - December 31, 2025		9,928,018	-	1,899,444	(8,230,481)	3,596,981	51,220	3,648,201
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	15(a)	872,946	256,096	-	-	1,129,042	-	1,129,042
Shares issued on option exercise	15(a)	52,377	-	(37,975)	-	14,402	-	14,402
Shares issued on business combination		216,698	-	-	-	216,698	-	216,698
Warrants expired	15(b)	-	(159,543)	159,543	-	-	-	-
Stock based compensation	15(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

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, 2025 and 2024

(Expressed in Canadian Dollar)

	Notes	2025 \$	2024 \$
Revenue	22		
Services revenue		4,223,464	1,885,947
Product sales		302,140	213,346
Other revenue		9,248	95,178
		4,534,852	2,194,471
Cost of sales	17	2,137,813	1,084,280
Gross profit		2,397,039	1,110,191
Operating expenses	17		
General and administrative		1,907,372	942,463
Marketing and business development		364,103	66,560
Research and development		523,217	276,661
Grants and tax credits	12	(421,593)	(223,602)
		2,373,099	1,062,082
Other items			
Finance income		8,857	2,993
Finance expenses	14, 15	(32,990)	(9,959)
Fair value changes	10, 14	88,827	173,612
Net finance income		64,694	166,646
Net income (loss) and comprehensive income (loss) before tax		88,634	214,755
Income tax expense			
Current	16	1,059	-
Net income (loss) and comprehensive income (loss) for the		87,575	214,755
Attributable to:			
Equity holders of the parent		94,375	224,735
Non-controlling interest		(6,800)	(9,980)
		87,575	214,755

Innovotech Inc.

Consolidated Statement of Cash Flows For the years ended December 31, 2025 and 2024

(Expressed in Canadian Dollar)

	Notes	2025 \$	2024 \$
Cash provided by (used in):			
Operating activities:			
Net income		87,575	214,755
Adjustments for:			
Depreciation and amortization	8, 9	142,842	61,643
Gain on disposal of property, plant and equipment		-	(349)
Loss on disposal of short term investments		-	1,710
Non-cash finance expense	13, 14	29,379	6,549
Non-cash finance income		(6,467)	-
Interest on long-term debt		-	3,413
Fair value adjustment on financial assets		(88,827)	(173,612)
Deferred grant	12	(39,436)	(39,544)
Stock-based compensation	15(c)	119,942	49,635
		245,008	124,200
Net change in non-cash working capital	19	(307,361)	(205,843)
		(62,353)	(81,643)
Investing activities:			
Purchase of property, plant and equipment		(466,518)	(202,290)
Purchase of intangible assets		(5,000)	-
Proceeds from sale of property, plant and equipment		-	2,159
Proceeds from sale of long-term investment		550,036	-
Cash paid in business combination		-	(300,000)
Net cash acquired in business combination		-	6,620
		78,518	(493,511)
Financing activities:			
Issue of shares and warrants net of issuance costs	15(a)	-	1,129,042
Exercise of options	15(a)	41,400	14,400
Exercise of warrants	15(a)	736,622	-
Issue of convertible debenture	14	200,000	-
Interest paid		-	(3,410)
Contingent consideration paid	13	(100,000)	-
		878,022	1,140,032
Increase (decrease) in cash and cash equivalents			
		894,187	564,878
Cash and cash equivalents - Beginning of year		725,399	160,521
Cash and cash equivalents - End of year		1,619,586	725,399
Non-cash investing and financing activities:			
Shares issued on business combination		-	216,698
Warrants expired		(15,300)	(159,543)
Warrants issued		-	256,096

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Notes to Consolidated Financial Statements

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1 Nature of operations and use of the going concern assumption

Innovotech Inc. (the "Company") is incorporated under the Business Corporation Act of Alberta. The primary activities of the Company are conducting contract research for outside customers, sales of its products, 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 is publicly traded and listed on the TSX Venture Exchange, and its registered office is Suite C203, 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 March 31, 2026.

3 Interest in Subsidiaries

The Company has control over the following subsidiaries, which are included in the consolidated financial statements:

Name of Subsidiary	Ownership Voting		Principal Activity
	Interest	Rights	
Innovotech Labs Corporation ("ILC")	100%	100%	Contract research service, product sale and research and development
Keystone Labs Inc. ("KLI")	100%	100%	Analytical, GMP micro, and stability testing services
Nou Life Sciences Inc. ("NLSI")	60%	60%	Research and development

The principal place of business for NLSI is in Edmonton, Alberta. The Company consolidates subsidiaries where it has control, including subsidiaries with non-controlling interests. The non-controlling interest deficit included in net income for the year was \$6,800 (2024 – \$9,980). The carrying amount of non-controlling interest in equity was \$51,220 (2024 – \$58,020). No

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subsidiary has significant restrictions on its ability to transfer funds to the parent in the form of cash dividends or to repay loans.

Name of Subsidiary	Total Assets	Total Liabilities	Revenue	Net Income/ (Loss)
Innovotech Labs Corporation ("ILC")	830,618	132,137	1,543,712	(294,765)
Keystone Labs Inc. ("KLI")	599,005	53,794	1,379,214	185,048

Other subsidiaries are individually immaterial to the Company and are not shown separately.

4 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.

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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 Innovotech Labs Corporation, 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 Innovotech Labs Corporation and Keystone Labs Inc., and a 60% ownership interest in Nou Life Sciences Ltd.

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Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollar)

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 4(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

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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

Innovotech Inc.

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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 shipping 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

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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.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(Expressed in 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 comprehensive 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).

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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.

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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 year-ended December 31, 2024, the Company used significant unobservable inputs to determine the fair value. See Note 10 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).

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.

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Fair value calculation of contingent consideration

As part of the business combination completed in 2024, the Company recognized contingent consideration, which was 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 calculation of convertible debenture

The fair value of the convertible debenture was determined using the estimated market rate of interest for similar debt facilities without an equity conversion option. Management assigned value to the equity and liability components of the debenture.

Fair value customer relationships

The fair value of customer relationships 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.

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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 maker (CODM), who is 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.

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- **Keystone:** This segment is engaged in providing analytical testing services supporting pharmaceutical, medical device, biotechnology, nutraceutical, and medical cannabis 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

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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.

5 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 IFRS 18 described below.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements, effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 replaces IAS 1 and provides revised guidance on the presentation of the statement of profit or loss, aggregation and disaggregation of items, and disclosure of management-defined performance measures. The standard does not change recognition or measurement requirements under IFRS; it affects only presentation and disclosure.

The key changes introduced by IFRS 18 include:

1. Mandatory presentation categories in the statement of profit or loss, including operating, investing, and financing activities, as well as required subtotals such as operating profit.
2. Management-defined performance measures (MPMs) used externally must be reconciled to IFRS-defined subtotals and disclosed with assumptions and calculation methods.
3. Enhanced aggregation and disaggregation requirements in the primary statements and notes to provide more decision-useful information.
4. Consequential amendments to other standards such as IAS 7 (Statement of Cash Flows), IAS 33 (Earnings per Share), and IAS 34 (Interim Financial Reporting), which may affect presentation.

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Impact on the Company

The Company has not early adopted IFRS 18 in these financial statements. If IFRS 18 is applied for the first time in the year ending 31 December 2027, the Company expects the following impacts:

- Restatement of comparative financial statements to present required IFRS 18 subtotals and disclosure of MPMs.
- Possible reclassification of certain income and expense items to align with IFRS 18-defined categories (e.g., items previously presented as “other income” may be reclassified under operating or investing activities).
- Additional notes disclosure providing reconciliation of management performance measures to IFRS-defined subtotals and enhanced aggregation of material items.
- No impact is expected on the measurement of assets, liabilities, or results, as IFRS 18 does not alter recognition or measurement requirements.

The Company is currently assessing the detailed impact on its systems, chart of accounts, and financial reporting processes to ensure compliance with IFRS 18 for the first period of adoption.

6 Trade and other receivables

	2025	2024
	\$	\$
Trade receivables net of allowance for doubtful accounts	507,636	536,073
Other receivables	180,664	101,941
	688,300	638,014

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 (2024 – \$7,873).

The ageing of receivables is as follows:

	2025	2024
	\$	\$
Neither past due nor impaired	615,031	613,350
Up to 3 months past due	81,142	32,537
Less: Allowance for doubtful accounts	(7,873)	(7,873)
	688,300	638,014

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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:

	2025	2024
	\$	\$
Customer #1	2,071,419	677,295
Customer #2	551,241	89,243
Customer #3	323,999	407,822

7 Inventory

The cost of inventories recognized as expense and included in cost of sales was \$570,502 (2024-\$260,927). The Company did not have any expired inventories to be written down to net realizable value in 2025 or 2024.

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8 Property, plant and equipment

	Plant	Computer and IT equipment	Furniture and fixtures	Leasehold improvements	2025 Totals
Cost					
Balance - January 1, 2025	1,017,785	67,873	36,211	348,261	1,470,130
Additions	370,755	62,111	1,498	32,155	466,519
Balance - December 31, 2025	1,388,540	129,984	37,709	380,416	1,936,649
Accummulated depreciation					
Balance - January 1, 2025	539,036	56,458	25,619	348,261	969,374
Depreciation	50,039	15,759	2,524	1,022	69,344
Balance - December 31, 2025	589,075	72,217	28,143	349,283	1,038,718
Net book value - December 31, 2025	799,465	57,767	9,566	31,133	897,931

	Plant	Computer and IT equipment	Furniture and fixtures	Leasehold improvements	2024 Totals
Cost					
Balance - January 1, 2024	493,010	107,558	14,801	2,152	617,522
Acquisition of Keystone	340,396	26,697	21,410	346,109	734,612
Additions	191,949	10,342	-	-	202,291
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

Depreciation on the property, plant and equipment of \$51,061 (2024 – \$20,314) is included in cost of sales and \$18,283 (2024 – \$13,332) in general and administrative expenses. Included in prepaid expenses and deposits are deposits on equipment of \$148,684 (2024 – \$54,837). The Company has a purchase commitment of \$199,987 (2024 – US\$21,704) related to this equipment. Included in plant is \$14,565 (2024 – \$68,077) for assets that have not been put into use and are therefore not depreciated.

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9 Intangible assets

	Patents	Customer relationships	Brand names	2025 Totals
Cost				
Balance - January 1, 2025	170,000	341,353	66,003	577,356
Additions	-	5,000	-	5,000
Balance - December 31, 2025	170,000	346,353	66,003	582,356
Accummulated amortization				
Balance - January 1, 2025	24,950	5,705	3,677	34,332
Amortization	17,000	34,497	22,001	73,498
Balance - December 31, 2025	41,950	40,202	25,678	107,830
Net book value - December 31, 2025	128,050	306,151	40,325	474,526

	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

Amortization of \$56,498 (2024 - \$9,382) is included in general and administrative expenses and \$17,000 (2024 - \$18,616) is included in research and development expenses.

10 Long term investment

The investment in common shares of a private corporation was classified as FVTPL. During the year, all of the common shares of the private corporation were acquired by a third party resulting in a gain on disposal of \$88,827 being realized. The remaining value of the long term investment is the Company's portion of an indemnity holdback on the purchase price by the purchaser. The indemnity

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holdback is expected to be release in three equal parts in January 2026, July 2026 and January 2027. As at December 31, 2025 the Company has a holdback receivable of \$37,992 (US\$27,680).

As at December 31, 2024, the estimated fair value of the common shares was \$499,200. 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. A 5% increase or decrease to either input would have resulted in an increase or decrease in the fair value of \$24,960. During the year ended December 31, 2024, a fair value gain of \$169,200 was included in net income (loss) and comprehensive income (loss).

11 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-cancellable 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 a lease agreement for office and laboratory space with a cancellable lease term of 36 months, which expires on August 31, 2028. Based on management's current operational plans, the Company has assessed that it is likely to exercise the termination option before one year of the lease term has occurred, and as a result, the lease is treated as a short term lease.

For the year ended December 31, 2025, the Company has recognized lease-related expenses of \$286,014 (2024 – \$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 \$160,291 (2024 – \$151,812) for the remainder of the cancellable lease term up to the expected termination dates.

If the company did not exercise the termination option, future cash outflows of approximately \$308,832 (2024 – \$242,457) would be incurred in 2026. These potential future lease payments are not included in the fair value of lease liabilities, as the termination option is likely 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.

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For the year ended December 31, 2025, the company has recognized lease expenses related to non-material equipment leases totaling \$12,273 (2024 – \$4,488).

12 Grants

The Company qualified for the Innovation Employment Grant (“IEG”) with respect to qualifying research and development expenditures incurred in 2024. The total amount of IEG received and recognized was \$18,449 (2024 – \$24,782), which is recorded as grants. The Company also qualified for \$88,083 IEG with respect to qualifying research and development expenditures incurred in 2025 which has been recorded as receivable.

On April 1, 2025, the Company signed two agreements to receive support 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 \$180,000 towards the project which was completed in March 2026. The total amount of IRAP grant received and recognized was \$151,527, which is recorded as grants.

On January 19, 2024, the Company signed an agreement to receive support 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 which was completed in March 2025. The total amount of IRAP grant received and recognized was \$14,098 (2024 – \$59,277), 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 was 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 which was completed in November 2025. The total amount recognized was \$149,436 (2024 – \$139,544), which was recorded as grants. Grant funds of \$3,025 (2024 – \$42,461) is deferred and is being recognized straight line over the term of the funding agreement.

13 Contingent consideration

During the previous year, the Company acquired KLI. As part of the business combination, the Company agreed to pay additional consideration based on the future achievement of certain performance targets over three years. The contingent consideration liability is classified as a financial liability and was measured at fair value at the acquisition date and is 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.

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	2025	2024
	\$	\$
Opening balance	243,370	-
Additions arising from business combinations	-	236,821
Accretions expense	29,379	6,549
Payments made	(100,000)	-
	172,749	243,370

14 Convertible debenture

On October 15, 2025, the Company issued and received a convertible debenture, with a face value of \$200,000. The debenture has a term of five years, maturing on October 15, 2030, and bears an 8% annual coupon, payable quarterly. The debenture is convertible into 800,000 common shares of the Company at the holder's option, at a conversion price of \$0.25 per share. The debenture was recognized at fair value at initial recognition, with the liability and equity components separated in accordance with IFRS 9 and IAS 32. The fair value of the liability component of \$160,470 was calculated as the present value of future cash flows discounted at the market rate for a similar non-convertible instrument of 13.5%. The residual value of \$39,530 representing the conversion option, has been recognized as equity in contributed surplus. The liability component is subsequently measured at amortized cost, using the effective interest method at the discount rate of 13.5% with accretion expense recognized in income. The Company recognized accretion expense of \$3,611 (2024 - \$nil).

15 Share capital

a) Authorized

Unlimited number of Class A common, voting shares

Issued and outstanding

	2025		2024	
	#	\$	#	\$
Opening balance at January 1	49,734,183	8,844,237	38,979,612	7,702,216
Shares issued on option exercise	370,976	96,274	241,512	52,377
Share issued on warrants exercise	4,333,076	987,507	-	-
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	54,438,235	9,928,018	49,734,183	8,844,237

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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 the company issued 4,333,076 shares pursuant to the exercise of warrants. During the year warrants expired unexercised on November 4, 2025. As a result, the fair value of \$5,211 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.

During the year, the Company issued 370,976 (2024 – 77,512) shares pursuant to the exercise of employee and directors stock options under its equity-settled share-based payment plan. Of these options 55,976 (2024 – 77,512) 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 84,024 (2024 – 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 315,000 shares pursuant to the exercise of

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employee and directors stock options for a cash consideration of \$41,400. The Company recognized stock-based compensation expense of \$119,942 for the year ended December 31, 2025 (2024 - \$49,634).

2025 transactions

On January 13, 2025, the Company granted to a director 50,000 stock options at an exercise price of \$0.18 with an expiry date of January 12, 2030. These stock options vested immediately. The estimated fair value of these options is \$0.1497 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	118.89%
Risk-free interest rate	3.50%
Expected life of options	5 years

On July 9, 2025, the Company granted to directors 350,000 stock options at an exercise price of \$0.33 with an expiry date of July 8, 2030. These stock options vested immediately. The estimated fair value of these options is \$0.2295 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	104.26%
Risk-free interest rate	3.37%
Expected life of options	5 years

On October 6, 2025, the Company granted to a contract service provider 150,000 stock options at an exercise price of \$0.20 with an expiry date of October 5, 2030. These stock options vested immediately. The estimated fair value of these options is \$0.1525 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	101.28%
Risk-free interest rate	3.21%
Expected life of options	5 years

2024 transactions

On December 12, 2023, the Company granted to employee 40,000 stock options at an exercise price of \$0.085 with an expiry date of December 11, 2028. These stock options vested immediately. The 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:

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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

	2025		2024	
	Weighted average Stock options #	exercise price \$	Weighted average Stock options #	exercise price \$
Outstanding balance at January 1	1,855,000	0.13	2,098,000	0.12
Granted	550,000	0.28	290,000	0.18
Exercised	(455,000)	0.13	(436,000)	0.10
Expired	(50,000)	0.21	(12,000)	0.05
Forfeited	-	N/A	(85,000)	0.19
Outstanding balance at December 31	1,900,000	0.18	1,855,000	0.13
Exercisable at December 31	1,707,534	0.19	1,537,534	0.16

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	2025			
	Outstanding	Weighted average exercise price	Weighted average contractual life	Exercisable
Range of exercise price	Number of shares	price	(years)	Number of shares
\$	#	\$		#
0.05 to 0.10	650,000	0.09	0.80	457,534
0.11 to 0.20	750,000	0.17	1.01	750,000
0.21 to 0.45	500,000	0.29	1.21	500,000
	1,900,000	0.18	3.02	1,707,534

	2024			
	Outstanding	Weighted average exercise price	Weighted average contractual life	Exercisable
Range of exercise price	Number of shares	price	(years)	Number of shares
\$	#	\$		#
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

d) Income/(loss) per share

	2025	2024
	\$	\$
Calculation of basic income/(loss) per share		
Net income	87,575	214,755
Number of common shares at January 1	49,734,183	38,979,612
Weighted average number of common shares issued during the year	1,021,801	1,692,396
	50,755,984	40,672,008
Basic income per share	0.002	0.005

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	2025	2024
	\$	\$
Calculation of diluted income/(loss) per share		
Adjusted net income	87,575	214,755
Weighted average number of common shares from basic income per share	50,755,984	40,672,008
Effect of dilution from:		
Share options	407,284	306,992
	51,163,268	40,979,000
Basic income per share	0.002	0.005

16 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:

	2025	2024
	\$	\$
Income (loss) before income taxes	87,575	214,755
Tax calculated at applicable statutory tax rates applicable to profit	20,141	49,000
Tax effects of:		
Tax losses and other items for which no deferred income tax asset was recognized	(17,099)	(49,000)
Adjustment in respect to prior years	(1,983)	-
Tax charge	1,059	-

The statutory tax rate was 23% (2024 – 23%).

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b) Deferred income tax

The Company's deductible temporary differences include the following:

	December 31, 2025	December 31, 2024
	\$	\$
Share issuance costs	13,000	17,000
Property, plant and equipment	1,000,000	995,000
Intangibles assets	(470,000)	(543,000)
Long term investments	-	(349,000)
Non-capital losses	2,483,000	2,925,000
SR&ED expenditure pool	3,812,000	3,689,000
Income tax credits	(88,000)	-
Contingent consideration	173,000	243,000
Convertible debenture	(40,000)	-
	6,883,000	6,977,000

Deferred 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 deferred income tax assets of \$1,584,000 (2024 - \$1,645,000) in respect of deductible temporary differences amounting to \$6,883,000 (2024 - \$6,977,000) that can be carried forward against future taxable income. Included in these deductible temporary differences are non-capital losses of \$2,483,000 (2024 - \$2,925,000) 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 \$3,812,000 (2024 - \$3,689,000) that can be carried forward to use against future net income for tax purposes. These SR&ED pool expenditures do not expire.

The Company did not recognize the benefits of non-refundable research and development tax credits amounting to \$1,053,000 (2024 - \$1,050,000). 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:

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	Non-capital loss carry- forwards	Federal investment tax credits
	\$	\$
2026 to 2030	-	523,000
2031 to 2035	1,928,000	360,000
2036 to 2040	166,000	55,000
2041 to 2045	389,000	115,000
	2,483,000	1,053,000

17 Expenses by nature

	2025	2024
	\$	\$
Employee and director compensation		
Salaries and wages	2,607,519	1,227,919
Termination benefits	195,000	-
Share-based payments	119,942	49,635
Short-term benefits	120,218	56,362
	3,042,679	1,333,916
Depreciation	69,344	33,646
Amortization	73,498	27,997
Professional and Consulting Fees	278,030	204,691
Rent, Utilities and Maintenance	362,179	166,192
Materials and Supplies	702,112	412,037
Computer and Telecommunication	73,592	15,480
Other Expenses	218,328	109,445
Marketing and business development (less employment costs)	112,744	66,560
Grants and Tax Credits	(421,593)	(223,602)
	4,510,913	2,146,362

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18 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	2025	2024
			\$	\$
Bernard Grobbelaar, Oikonomos Professional Corporation	Chief Financial Officer	Salaries and wages	187,704	83,080
David Tam, Parlee McLaws LLP	Corporate secretary, legal counsel and Director	Professional fees and consulting fees	132,669	116,895

At December 31, 2025, \$50,823 (2024 – \$81,167) 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. Services provided by Oikonomos Professional Corporation include Chief Financial Officer services and outsourced accounting personnel.

Compensation of key management

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

	2025	2024
	\$	\$
Salaries and short-term employee benefits	733,574	457,870
Share based payments	119,942	49,635
	853,516	507,505

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19 Net change in non-cash working capital items

	2025	2024
	\$	\$
Short term investments (excluding fair value changes)	-	68,136
Trade and other receivables	37,797	(430,170)
Indirect taxes receivable	(9,804)	(12,634)
Inventory	(57,091)	(58,348)
Unbilled revenue	(138,286)	(34,556)
Prepaid expenses and deposits	(195,824)	(79,379)
Accounts payable and accrued liabilities	89,329	151,011
Deferred revenue	47,076	24,029
Income tax payable	1,059	-
	(313,827)	(371,911)
Add: accrued interest receivable	6,466	2,701
Add: net working capital acquired in business combination	-	163,367
	(307,361)	(205,843)

20 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.

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.

21 Financial instruments

Financial instruments consist of recorded amounts of cash and cash equivalents, trade and other receivable, long term investment, accounts payable and accrued liabilities, contingent consideration and convertible debenture.

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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	2025	2024
		\$	\$
Cash and cash equivalents	FVTPL	1,619,586	725,399
Trade and other receivables	Amortized cost	688,300	638,014
Long term investment	FVTPL	37,992	499,200
Accounts payable and accrued liabilities	Amortized cost	(376,268)	(286,939)
Contingent consideration	FVTPL	(172,749)	(172,749)
Convertible debenture	Amortized cost	(160,470)	-

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 receivable. The Company deposits its cash with major Canadian banks. The Company assesses its credit risk on a regular basis and records an allowance to

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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 6 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 loss of \$46,859 in 2025 (2024 – gain of \$17,101).

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

	2025	2024
	\$	\$
Table of amounts denominated in US dollars		
Cash and cash equivalents	332,802	143,691
Trade and other receivables	344,788	398,123
Accounts payable and accrued liabilities	(6,575)	(6,941)
	671,015	534,873
Table of amounts denominated in Euros		
Accounts payable and accrued liabilities	-	(10,377)

The following exchange rates applied at December 31:

	2025	2024
	\$	\$
US\$ - CAD\$	1.372542	1.439305
EUR - CAD\$	1.610345	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

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in a decrease in the net income (loss) and comprehensive income (loss) of \$67,102 (2024 – increase in net loss of \$52,449), 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 2026 does not exceed its committed sources of funds.

22 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 maker (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, nutraceutical, and medical cannabis industries. The services are performed in Canada with nearly all its clients in Canada.

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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, 2025:

	Innovotech	Keystone	Total Segments	Total Consolidation Items	Consolidated Total
Revenue					
External revenue	3,155,638	1,379,214	4,534,852	-	4,534,852
Inter-segment revenue	-	-	-	-	-
Total revenue	3,155,638	1,379,214	4,534,852	-	4,534,852
Segment profit	18,757	185,048	203,805	(116,230)	87,575
Segment assets	3,663,996	599,005	4,263,001	169,876	4,432,877
Segment liabilities	555,101	53,794	608,895	175,781	784,676
Other Information					
Depreciation & amortization	(43,125)	(26,018)	(69,143)	(73,699)	(142,842)
Finance income	8,857	-	8,857	-	8,857
Finance expenses	(3,611)	-	(3,611)	(29,379)	(32,990)
Fair value changes	88,827	-	88,827	-	88,827

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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:

	Innovotech	Keystone	Segments	Total Consolidation 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.

Revenue by geographic region:	2025	2024
	\$	\$
Canada	1,363,143	217,562
International	226,734	255,467
United States	2,944,975	1,721,442
Total Revenue	4,534,852	2,194,471

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

23 Subsequent events

a) Corporate reorganization

On January 1, 2026, the Company amalgamated its wholly owned subsidiaries Innovotech Labs Corporation ("ILC") and Keystone Labs Inc. ("KLI"), with ILC being the surviving entity. Simultaneously,

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the Company transferred the operations of Innovotech Inc. ("IOT") to ILC and transferred to property, plant and equipment held by KLI to IOT. Subsequent to these changes, the Company's operating segments will be realigned to the distinct revenue streams generated by the Company and monitored by the chief operating decision makers.

b) Lease agreements

In January 2026, the Company signed a lease agreement for an initial term of fourteen months to relocate the laboratory operations and office space of KLI.

c) Changes to the scientific research and experimental development (SR&ED) program

On 26 February 2026, the Government of Canada substantively enacted amendments to the Income Tax Act through Bill C-15 (Budget 2025 Implementation Act, No. 1), which included significant enhancements to the Scientific Research and Experimental Development (SR&ED) investment tax credit program.

Among these changes, eligible Canadian public corporations may now qualify for the enhanced 35% refundable SR&ED investment tax credit on qualifying SR&ED expenditures, subject to applicable expenditure limits and phase-out rules. In prior taxation years, SR&ED investment tax credits earned by Canadian public corporations were generally limited to a 15% non-refundable credit.

The amendments are effective for taxation years beginning after December 15, 2024, however they were not substantively enacted for financial reporting purposes until 26 February 2026.

As the legislation was substantively enacted after the reporting date, the effects of these changes have not been reflected in the recognition or measurement of current or deferred income taxes in these financial statements. The Company will assess the impact of these amendments on its SR&ED claims, income tax expense, refundable investment tax credits, and deferred tax balances in the period in which the legislation is substantively enacted or becomes effective for financial reporting purposes.

Management expects that these changes may result in increased refundable SR&ED investment tax credits in future periods, relative to the current year, depending on the Company's eligibility and level of qualifying SR&ED expenditures.