



Management Discussion and Analysis
(Expressed in Canadian Dollars)

Innovotech Inc.

Three and Twelve-months Ended 31 December 2025

INTRODUCTORY NOTES

Financial Condition and Results of Operations of Innovotech Inc. ("the Company") for the Three and Twelve-months Ended 31 December 2025 (as of 31 March 2026).

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; domestic and foreign 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.

The following Management Discussion and Analysis (MD&A) of results of operations and financial position should be read in conjunction with the audited financial statements of Innovotech Inc. ("Innovotech", "we", or "the Company") for the year ended 31 December 2025, and the related notes thereto. This MD&A is provided by management using information available up to 31 March 2026. 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, or at www.innovotech.ca

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Business Overview

Innovotech Inc. is a diversified services and products company focused on applied microbiology and chemistry within regulated healthcare technologies. The Company provides specialized testing services and proprietary methods that help clients generate reliable, high-quality data to support product regulatory approval. Our work underpins the safety and effectiveness of medical devices, pharmaceuticals, and industrial products, and we exist to translate deep scientific expertise into practical, decision-enabling outcomes for our customers.

The Company operates as a diversified life sciences company, combining contract research services, analytical and microbial testing, and the development and commercialization of proprietary technologies. Our revenues are generated through a mix of recurring laboratory services and product sales, supported by long-term client relationships and project-based engagements. We serve clients across Canada, the United States, and international markets, providing geographic and currency diversification while maintaining centralized quality systems and technical standards.

A core component of Innovotech's business is antimicrobial contract research, where the Company has established itself as a trusted partner to global medical device manufacturers. Innovotech is widely recognized for its expertise in testing and qualifying devices such as catheters, implants, and other products for susceptibility to microbial colonization and biofilm formation. With over two decades of experience, proprietary methodologies, specialized equipment, and deep familiarity with regulatory expectations, the Company has developed operational efficiencies and technical capabilities that are difficult to replicate. These strengths have positioned Innovotech as a preferred vendor for several multinational clients, many of whom rely on the Company for complex and mission-critical testing programs.

In parallel, Innovotech has built a strong laboratory services business in western Canada, supported by a Drug Establishment License and accredited quality systems. The Company provides analytical chemistry testing, GMP microbial testing, and stability testing services to provincial health organizations, pharmaceutical companies, biotechnology firms, and industrial clients. These services are highly complementary to the Company's contract

research activities and allow Innovotech to support clients across a broader portion of the product lifecycle, from early development through regulated production and post-market requirements.

Innovotech also manufactures and sells laboratory consumable products, most notably its MBEC Assay® Kits, which are used globally in biofilm research and antimicrobial testing. These products reinforce the Company's presence within the scientific and medical research community and support its contract research activities by promoting standardized, validated testing approaches. The Company applies proprietary coatings and manufacturing processes to tailor these kits to specific laboratory and research requirements for different application areas.

The Company maintains an active research and development (R&D) program focused on expanding service capabilities, developing new test methods, and advancing proprietary technologies toward commercial application. Innovotech's intellectual property portfolio includes a family of silver-based antimicrobial compounds marketed under the InnovoSIL™ brand, as well as linked antioxidant molecules with applications in medical, pharmaceutical, and consumer health products. R&D activities are directed toward securing commercial partners, validating new methodologies that enhance contract research offerings, and developing products that can be scaled and monetized through licensing, collaboration, or direct commercialization.

Across all aspects of its operations, Innovotech's strategy is grounded in disciplined growth, technical credibility, and capital efficiency. The Company seeks to expand by deepening relationships with existing clients, adding complementary services and products, and selectively pursuing acquisitions that strengthen its capabilities and geographic reach. By combining regulated laboratory services with proprietary technologies and applied research, Innovotech aims to build a resilient and scalable business that delivers long-term value to clients, shareholders and other stakeholders.

2025 Key Accomplishments

The Company made significant progress in 2025 across operational, scientific, and capital markets dimensions, laying the foundation for continued growth and long-term value creation. A central achievement during the year was the successful integration of Keystone Labs Inc. into Innovotech's operations. The acquisition materially expanded the Company's

analytical and testing capabilities and strengthened its Canadian customer base expanding its total addressable market. Following the initial integration work completed during 2025, the Company further simplified and strengthened its operating structure by first separating Innovotech Inc. as the listed parent from its operating activities under Innovotech Labs Corporation, and subsequently, after year-end 2025, fully amalgamating Innovotech Labs Corporation with Keystone Labs Inc. (“Keystone” or “KLI”). This sequence of steps clarified governance, reduced operational complexity, and positioned the business to operate as a single, integrated laboratory platform.

The Company strengthened its balance sheet during the year through the successful exercise of warrants issued in the prior year and the issuance of a \$200,000 convertible debenture. These financings provided additional working capital to support growth initiatives, equipment purchases, and integration activities. The Company’s capital markets profile also improved during the year, with its share price reaching a high of \$0.34, the highest level in approximately 12 years, reflecting increased investor interest and confidence in the Company’s strategy and execution.

Operationally, Innovotech delivered consistent performance throughout the year, with solid revenues reported in each quarter. Growth was not driven by any single exceptional period, but rather by steady execution across the business, reflecting a more diversified and resilient revenue base. The Company continued to professionalize its internal operations, including the rollout of an electronic laboratory notebook system to improve technical staff workflows. This investment is aimed at improving the quality management system, data integrity, scheduling, and overall operational efficiency, supporting scalability and quality as service volumes increase.

The Company made meaningful investments in laboratory infrastructure and equipment to address capacity constraints and expand technical capabilities. A large-format autoclave was installed, alleviating a long-standing operational bottleneck caused by undersized equipment and improving staff efficiency and turnaround times. Additional equipment purchases, including MALDI-TOF, gas chromatography–mass spectrometry, and a total organic carbon analyzer, expanded the Company’s analytical chemistry and microbiology capabilities and enhanced its ability to support more complex and higher-value client programs.

Innovotech also continued to strengthen its commercial organization during the year. The sales and business development function was further professionalized to support sustained

growth, and subsequent to year-end, the Company appointed Rod Szarka to the role of Chief Commercial Officer, with marketing aligned under this function. Additional sales resources were added to support increased outreach and more structured engagement with clients across service lines.

The Company advanced several important scientific and research milestones in 2025. Innovotech completed its work on the Alberta Innovates AICE – Validate project entitled “Use of antimicrobial silver in medical devices” and submitted a final report, marking the successful conclusion of this multi-year program. The Company also filed a patent application for the BestPlus Assay® method, which is expected to be published in early 2026, further strengthening its intellectual property portfolio. In addition, Innovotech was awarded a contribution agreement from the National Research Council’s Industrial Research Assistance Program (NRC-IRAP) totaling \$150,000 to support new technical activities between April 2025 and March 2026, focused on expanding assay development for antimicrobial contract research.

Governance and strategic oversight were enhanced during the year with the addition of Brad Clark, and Arden Tse to the Board of Directors, bringing additional financial, valuation, and capital markets expertise. The Board and senior management also held a dedicated vision-setting meeting in San Diego, during which they aligned on the Company’s long-term strategic direction and mapped a course toward building Innovotech into a marquee life sciences company with a differentiated position in contract research, testing services, and technology commercialization.

The Company continued to increase its visibility within the investment community, with management participating in investor outreach initiatives, including attendance at the Small Cap Discoveries Conference in Vancouver in September 2025. These efforts supported broader awareness of the Company’s progress, strategy, and growth potential.

Collectively, these accomplishments reflect a year focused on integration, execution, and institutional strengthening. Innovotech exited 2025 with improved scale, enhanced capabilities, a stronger balance sheet, and a clearer strategic direction, positioning the Company to build on this momentum in the year ahead.

Annual Performance

Annual Revenue by Segment

Segment	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Innovotech (ILC)	3,155,638	1,985,339	1,170,299	59%
Keystone (KLI) ¹	1,379,214	209,132	1,170,082	559%
Total Revenue	4,534,852	2,194,471	2,340,381	107%

1 - Revenue for November and December only in 2024

The Company delivered strong financial performance in 2025, reflecting a full year contribution from the Keystone Labs Inc. (“Keystone”) acquisition, continued growth in core service revenues, and the benefits of prior investments in operational capacity. Total revenues increased meaningfully year over year, driven primarily by services revenue across antimicrobial contract research, analytical chemistry, GMP microbial testing, and stability testing.

Annual Revenue by Geographic Region

Region	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Canada	1,363,143	217,562	1,145,581	527%
International	226,734	255,467	(28,733)	-11%
United States	2,944,975	1,721,442	1,223,533	71%
Total Revenue	4,534,852	2,194,471	2,340,381	107%

Revenue growth was most pronounced in the Canadian region, largely because of Keystone’s inclusion for a full fiscal year. Keystone’s primary customer base is in Canada, and its integration materially expanded the Company’s domestic testing capabilities, customer reach, and currency diversification. In addition to the acquisition effect, Keystone achieved organic growth during the year, supported by the addition of new analytical equipment and improved access to working capital following the acquisition. These factors enabled Keystone to take on additional client work and increase throughput, contributing to revenue growth beyond the initial acquisition baseline.

Annual Financial Results

	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Services revenue	4,223,464	1,885,947	2,337,517	124%
Product sales	302,140	213,346	88,794	42%
Other revenue	9,248	95,178	(85,930)	-90%
	4,534,852	2,194,471	2,340,381	107%
Cost of sales	2,137,813	1,084,280	1,053,533	97%
Gross profit	2,397,039	1,110,191	1,286,848	116%
Gross profit (%)	52.9%	50.6%	2.3%	
Operating Expenses				
General and administrative	1,907,372	942,463	964,909	102%
Marketing and business development	364,103	66,560	297,543	447%
Research and development	523,217	276,661	246,556	89%
Grants and tax credits	(421,593)	(223,602)	(197,991)	89%
Net finance (income) expense	(64,694)	(166,646)	101,952	-61%
Net and Comprehensive income (loss) per tax	88,634	214,755	(126,121)	-59%
Income tax expense				
Current	1,059	-	1,059	-
Net and Comprehensive income (loss) per tax	87,575	214,755	(127,180)	-59%
Basic and diluted income/(loss) per share	0.002	0.005	(0.003)	-62%
Adjusted EBITDAS	481,724	142,330	339,394	238%

Innovotech's antimicrobial contract research business also experienced strong growth in 2025. This increase reflects the Company's deliberate investments in prior periods to expand operational capacity, including laboratory space, equipment, and skilled personnel. These investments positioned Innovotech to support larger and more complex antimicrobial contract research projects and to respond effectively as significant client programs progressed through advanced stages of product development. The Company's ability to scale resources in response to client demand was particularly important as several large projects required sustained engagement and rapid turnaround to meet development timelines.

Product sales increased year over year, contributing positively to total revenues. Product revenues have historically varied depending on customer research activity and purchasing patterns, and while no single driver can be isolated for the increase in 2025, the team continues to focus on maintaining consistent visibility and engagement with customers and the broader industry to support ongoing demand for the Company's laboratory consumables.

Gross profit and gross margin improved in 2025 as higher service volumes increased utilization of personnel, laboratory space, and equipment. While improved utilization contributed positively to margins, management remains focused primarily on topline growth and capacity expansion. As the Company continues to scale, operating results may reflect periods of inefficiency and higher costs as new staff are trained, new equipment is brought online, and additional space is integrated. Management views these dynamics as a natural and necessary part of building a larger, more capable services platform rather than as a short-term focus on margin optimization.

General and administrative expenses increased compared to the prior year, primarily due to growth in headcount. This included the addition of personnel through the Keystone acquisition as well as new hires made to support higher operating levels across the business. The increase in General and administrative expenses is consistent with the Company's growth in revenues and reflects investments made to ensure appropriate financial, operational, and administrative support as the business scales.

Marketing and business development expenses also increased during the year as the Company invested dedicated resources toward growth initiatives. These investments are intended to strengthen client engagement, expand relationships within existing accounts, and support the development of new business opportunities across service lines and geographies.

Research and development expenses increased in 2025 as the Company continued to build its future pipeline of assays, services, and proprietary technologies. Research and development efforts during the year were focused on expanding testing capabilities, advancing InnovoSIL™ silver, and developing new methodologies that can be offered through the Company's contract research services. The Company continues to benefit from strong support through grants and scientific research and experimental development tax credits, which partially offset Research and development expenditures and provide additional confidence to invest prudently in longer-term innovation initiatives.

Net finance expense decreased compared to the prior year. Included in net finance expense was the fair value gain on long-term investment that was successfully disposed in the current year, realizing the gains recognized in prior years.

Adjusted EBITDAS increased significantly in 2025, reflecting higher revenues, improved operating leverage, and disciplined cost management as the Company scaled its operations. Adjusted EBITDAS as a percentage of revenue also increased, underscoring the progress made in translating revenue growth into improved operating performance. Adjusted EBITDAS also increased to 10.6% of total revenues compared to 6.5% in the prior year.

Q4 Performance

Q4 Revenue by Segment

Segment	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Innovotech (ILC)	782,568	836,705	(54,137)	-6%
Keystone (KLI) ¹	342,080	209,132	132,948	64%
Total Revenue	1,124,648	1,045,837	78,811	8%

1 - Revenue for November and December only in 2024

Revenue in the fourth quarter of 2025 reflected continued contributions from both the Innovotech Labs business and Keystone Labs. The year-over-year comparison for Keystone should be viewed in the context of the acquisition timing, as Q4-2024 included only a partial two-month contribution following the acquisition. On a normalized basis, Keystone's average monthly revenue increased in the fourth quarter, reflecting steady demand and improved utilization of its expanded capabilities.

Revenue from Innovotech Lab's operations was lower in Q4-2025 compared to the prior year quarter, primarily due to the timing of project milestones and completion of client work. Contract research revenues are inherently variable on a quarterly basis, as project schedules can shift depending on client development timelines, regulatory requirements, and the sequencing of testing activities.

Q4 Revenue by Geographic Region

Region	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Canada	352,029	219,361	132,668	60%
International	87,384	36,736	50,648	138%
United States	685,235	789,740	(104,505)	-13%
Total Revenue	1,124,648	1,045,837	78,811	8%

Revenue by geographic region in the fourth quarter was influenced by the same factors affecting segment performance. Canadian revenues increased year over year, driven largely by the inclusion of Keystone, whose customer base is primarily located in Canada. U.S. dollar revenues continued to reflect activity with a key client and the timing of project execution during the quarter.

Q4 Financial Results

	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Services revenue	1,033,319	984,394	48,925	5%
Product sales	82,081	54,578	27,503	50%
Other revenue	9,248	6,865	2,383	35%
	1,124,648	1,045,837	78,811	8%
Cost of sales	535,933	415,026	120,907	29%
Gross profit	588,715	630,811	(42,096)	-7%
Gross profit (%)	52.3%	60.3%	-8.0%	
Operating Expenses				
General and administrative	218,274	299,281	(81,007)	-27%
Marketing and business development	300,712	23,623	277,089	1173%
Research and development	96,861	111,546	(14,685)	-13%
Grants and tax credits	(219,219)	(97,395)	(121,824)	125%
Net finance (income) expense	18,722	(159,317)	178,039	-112%
Net and Comprehensive income (loss) before tax	173,365	453,073	(279,708)	-62%
Income tax expense				
Current	1,059	-	1,059	-
Net and Comprehensive income (loss)	172,306	453,073	(280,767)	-62%
Basic and diluted income/(loss) per share	0.003	0.011	(0.008)	-70%
Adjusted EBITDAS	252,234	293,756	(41,522)	-14%

Gross profit and gross margin in Q4-2025 were consistent with the Company's full-year performance. The prior year fourth quarter benefited from a sharp increase in operating levels compared to the first three quarters of 2024, resulting in an unusually high gross margin in that period. With operating levels more evenly distributed throughout 2025, fourth quarter margins normalized and are reflective of the Company's current scale and cost structure.

General and administrative expenses decreased in the fourth quarter due to changes in the allocation of marketing and business development salaries. Marketing and business development expenses increased correspondingly, and the net impact between the two

expense categories was not material. This reallocation better reflects how resources are deployed to support growth activities.

Research and development expenses, net of grants and tax credits, decreased in Q4-2025 as a significant grant-funded project reached completion during the quarter, resulting in additional grant credits being recognized.

Net finance income and expense in the prior year fourth quarter was largely attributable to fair value changes recognized on a long-term investment. As this investment was disposed of during 2025, no comparable fair value adjustment was recorded in the current year quarter.

Adjusted EBITDAS in Q4-2025 decreased compared to the prior year quarter, reflecting the unusually strong operating leverage experienced in Q4-2024 and the normalization of margins in the current year. Adjusted EBITDAS for the quarter remains consistent with the Company's full-year operating performance.

Reconciliation of Non-IFRS Financial Measures

	Year Ended		Quarter Ended	
	2025 (\$)	2024 (\$)	2025 (\$)	2024 (\$)
Net and Comprehensive income (loss)	87,575	214,755	172,306	453,073
Depreciation and amortization	142,842	47,549	35,677	-
Share-based compensation	119,942	46,672	24,470	-
Net finance (income) expense	32,990	9,959	10,067	9,959
Finance income	(8,857)	(2,993)	(425)	(76)
Income tax expense	1,059	-	1,059	-
EBITDAS	375,551	315,942	243,154	462,956
Fair value changes	(88,827)	(173,612)	9,080	(169,200)
Termination benefits	195,000	-	-	-
Adjusted EBITDAS	481,724	142,330	252,234	293,756

EBITDAS, defined as earnings before interest, taxes, depreciation, amortization, and stock-based compensation, is a non-IFRS financial measure used by management to assess operating performance and to facilitate comparisons between periods. Management believes that EBITDAS provides useful information to investors by highlighting results from

core operating activities before the impact of financing decisions, non-cash charges, and other items that may not be indicative of ongoing performance.

Adjusted EBITDAS further excludes fair value changes recognized through profit and loss, as well as material items that are not considered reflective of normal operating activities. These adjustments are intended to improve comparability between periods and to provide additional insight into the Company's underlying operating performance.

Non-IFRS financial measures do not have standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. Readers are cautioned that these measures should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS. Reconciliations of EBITDAS and Adjusted EBITDAS to the most directly comparable IFRS measures are provided in this MD&A.

Summary of Quarterly Results

Period	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	1,124,648	1,267,692	984,327	1,158,185	1,045,837	436,071	398,587	313,976
Net income (loss) and comprehensive income (loss)	172,306	92,945	(241,199)	63,523	453,073	(21,300)	(114,817)	(102,201)
Earnings per share	0.00	0.00	(0.00)	0.00	0.01	(0.00)	(0.00)	(0.00)

The table below summarizes the impact on revenue from organic growth and acquisition growth.

	Q4-2025 vs. Q4-2024	Q3-2025 vs. Q3-2024	Q2-2025 vs. Q2-2024	Q1-2025 vs. Q1-2024
Increase (decrease) in revenue due to:				
Organic growth	(54,137)	497,571	197,664	529,201
Acquisition growth	132,948	334,050	388,076	315,008
Total increase in revenue	78,811	831,621	585,740	844,209

The Company's quarterly results reflect the nature of its service-based business, where revenues may vary from quarter to quarter depending on the timing of contracted work,

project milestones, and client development schedules. Customers may defer testing activities based on internal timelines or regulatory considerations, resulting in revenue shifting between periods. In addition, the delivery of specialized materials or microbial media required for certain projects can affect the timing of revenue recognition.

Quarterly revenues in 2025 increased compared to the prior year, reflecting higher operating levels and the full-year contribution from the Keystone acquisition. While variability between quarters is expected, management believes that the overall trend in revenues is indicative of increased scale and sustained client engagement.

Statement of Financial Position

Balance As Of	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Current assets	3,022,428	1,676,950	1,345,478	80%
Property, plant and equipment	897,931	500,756	397,175	79%
Intangibles assets	474,526	543,024	(68,498)	-13%
Long term investments	37,992	499,200	(461,208)	-92%
Total assets	4,432,877	3,219,930	1,212,947	38%
Current liabilities	522,078	421,025	101,053	24%
Non-current liabilities	262,598	175,774	86,824	49%
Total liabilities	784,676	596,799	187,877	31%
Shareholders' equity	3,648,201	2,623,131	1,025,070	39%
Total liabilities and equity	4,432,877	3,219,930	1,212,947	38%

The Company's financial position strengthened during the year, driven primarily by increased cash balances and investments in operating assets to support growth. The increase in current assets was mainly attributable to higher cash balances, increased unbilled revenue associated with ongoing client projects, and higher prepaid expenses. The increase in prepaid expenses primarily relates to deposits paid on equipment expected to be delivered in 2026.

Property, plant and equipment increased on a net basis due to investments in leasehold improvements and revenue-generating laboratory equipment. These additions reflect the Company's continued focus on expanding capacity and supporting higher service volumes.

The decrease in long-term investments reflects the disposal of the Company's investment in a private corporation during the year. The remaining balance relates to a holdback associated with the transaction.

Changes in current liabilities were primarily due to fluctuations in accounts payable and accrued liabilities consistent with increased operating activity. Non-current liabilities increased because of the issuance of a convertible debenture, partially offset by repayments of contingent consideration related to the prior year business combination. Equity increased during the year due to the exercise of warrants and stock options, as well as the equity component of the convertible debenture.

Outstanding Share Data

Balance As Of	2025 (#)	2024 (#)
Common shares outstanding	54,438,235	49,734,183
Convertible equity instruments:		
<i>Warrants</i>	-	4,423,076
<i>Stock options</i>	1,900,000	1,855,000

Liquidity and Capital Resources

Working Capital

Balance As Of	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Current assets	3,022,428	1,676,950	1,345,478	80%
Current liabilities	522,078	421,025	101,053	24%
Net working capital	2,500,350	1,255,925	1,244,425	99%

	2025 (#)	2024 (#)	Change (#)	Change (%)
Current ratio	5.79	3.98	1.81	45%

The Company continues to maintain a strong liquidity position, supported by cash generated during the year and access to equity financing. Management believes that existing cash balances, expected cash flows from operations, and available financing resources are sufficient to support planned operations, capital expenditures, and working capital requirements.

At December 31, 2025, the Company reported a solid net working capital position, which improved compared to the prior year. This improvement was driven primarily by increased cash balances, higher unbilled revenue related to active client projects, and increased prepaid expenses associated with equipment deposits.

Cash Flows

Cash inflow (outflow) from	2025 (\$)	2024 (\$)	Change (\$)	Change (%)
Operating activities	(62,353)	(81,643)	19,290	-24%
Investing activities	78,518	(493,511)	572,029	-116%
Financing activities	878,022	1,140,032	(262,010)	-23%

Cash flows from operating activities improved during the year as a result of higher cash generated from operations, partially offset by changes in non-cash working capital associated with increased activity levels. Operating cash flows were negatively impacted by \$195,000 in severance costs paid in the year.

Cash flows from investing activities included proceeds from the disposal of the Company's long-term investment in a private company, partially offset by purchases in property, plant and equipment. These investments were made to expand laboratory capacity and support future growth.

Cash flows from financing activities were driven primarily by proceeds from the exercise of warrants and stock options, as well as the issuance of a convertible debenture. These inflows were partially offset by repayments of contingent consideration related to the prior year acquisition.

Capital Management

Cash inflow (outflow) from	2025 (\$)	2024 (\$)
Current and non-current portion of long-term deb	333,219	243,370
Cash and cash equivalents	(1,619,586)	(725,399)
Net (cash) debt	(1,286,367)	(482,029)
Shareholders' equity	3,596,981	2,565,111
Total capital managed	2,310,614	2,083,082

	2025 (#)	2024 (#)
Net debt to equity ratio	(0.36)	(0.19)

The Company's capital management objectives are to maintain sufficient financial flexibility to support ongoing operations and planned investments, while positioning the business for continued growth. Management seeks to balance organic growth initiatives, selective acquisitions, and investment in research and development with the objective of increasing long-term shareholder value.

The Company manages its capital structure using internal guidelines, including a target net debt-to-equity ratio of 0.5 to 0.75. At December 31, 2025, the Company had a net cash position, reflecting improved financial strength compared to the prior year. The Company has access to a \$90,000 credit facility for credit card usage and is not subject to any externally imposed financial covenants. As the Company's operations continues to mature it will allow us to secure operating facilities and collateralized financing on long-term equipment, as well as debt financing for acquisitions.

Related Party Transactions

Cash inflow (outflow) from	2025 (\$)	2024 (\$)
Bernard Grobbelaar, Oikonomos Professional Corporation	187,704	83,080
David Tam, Parlee McLaws LLP	132,669	116,895
Compensation to key management personnel and directors		
<i>Salaries and short-term employee benefits</i>	733,574	457,870
<i>Share based payments</i>	119,942	49,635

Services provided by Oikonomos Professional Corporation include CFO services and outsourced accounting personnel. Services provided by Parlee McLaws LLP include corporate legal counsel, servicing as secretary, intellectual property services and litigation support when needed.

Key management is defined as executives and independent directors. During the year, the Company paid compensation to five executives and share based payments to directors in accordance with approved compensation plans.

Contractual Commitments

The Company has long-term lease commitments with expected future cash outflows of \$308,832 (2024 – \$242,457) if termination options are not exercised. The Company also has purchase commitments of \$199,987 (2024 – US\$21,704) related to equipment expected to be delivered in 2026.

Accounting Developments & Critical Estimates

Accounting Developments

There are no new or amended IFRS Accounting Standards or interpretations that required adoption by the Company during the year other than IFRS18 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 1 January 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 presentation and disclosure only.

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.

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 management-defined performance measures.

- 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 disclosures in the notes 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.

Critical Estimates

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements:

Estimated useful lives of property, plant and equipment

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

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

current year changes to the method and rate used to depreciate property, plant and equipment over the estimated useful lives.

Impairment of non-financial assets

Non-financial assets, including property, plant and equipment and intangible assets, are reviewed for indicators of impairment at each reporting date. Where impairment indicators are identified, the Company uses discounted cash flow models to determine the recoverable amount of the assets, which drives the conclusion of whether impairment exists, and if it does, the amount of impairment to record. These models require assumptions to be formulated about future cash flows, margins and discount rates, which are made using careful judgment, but are nonetheless subject to estimation risk.

Fair value of stock options and warrants

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

Fair value of long-term investment

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

Renewal option on lease agreements

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

Materiality of equipment leases

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

Fair value calculation of contingent consideration

As part of the business combination completed in 2024, the Company has recognized contingent consideration that 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 customer relationships

The fair value of customer relationships acquired as part of the business combination completed in 2024 is measured using the Multi-Period Excess Earnings Method (MEEM), an income-based approach. This involves estimating future cash flows expected to be generated from the customer base and attributing those cash flows to the customer relationships.

Significant estimates and assumptions include:

- Customer attrition rates: The rate at which customers are expected to discontinue their relationship with the group.
- Revenue growth rates: Forecasted growth in sales to the customer base.

- Discount rate: Reflecting the risks associated with the cash flows from customer relationships.
- Useful life: The expected period over which the customer relationships are expected to generate economic benefits.

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

Fair value of brand names

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

Key assumptions include:

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

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

Financial Instruments and 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 changes in global trade policy, including the introduction of tariffs and evolving North American trade dynamics, have contributed to increased uncertainty in certain markets. As

of the date of this MD&A, Innovotech's operations and financial performance have not been materially impacted. The Company continues to monitor developments and assess potential implications for customer demand, supply chains, and cross-border activity. Over time, the Company may benefit from opportunities to further diversify its geographic revenue base and expand its presence in non-U.S. markets.

Currency Risk

Currency risk arises from fluctuations in foreign exchange rates that may affect the Company's financial results. The Company's reporting currency is the Canadian dollar, and the majority of its operating costs are incurred in Canadian dollars. A portion of the Company's revenues is generated in U.S. dollars. As a result, changes in the Canadian dollar relative to the U.S. dollar may impact reported revenues and profitability. The Company does not currently use derivative financial instruments to hedge foreign exchange exposure and manages currency risk primarily through its cost structure and pricing practices.

Credit Risk

Credit risk represents the risk of financial loss if a counterparty fails to meet its contractual obligations. Innovotech is exposed to credit risk through its cash and cash equivalents and trade and other receivables. The Company's primary credit risk relates to customer receivables arising from the provision of services. To mitigate credit risk, Innovotech typically requires advance payments of approximately 50% of the estimated contract value for a significant portion of its contract research services prior to commencing work. The Company does not currently insure its credit risk but monitors receivable balances and customer payment patterns on an ongoing basis. Innovotech does not require advance payments for services outside the scope of antimicrobial contract research, typically because dollar values are immaterial or invoicing occurs at regular intervals.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. Innovotech manages liquidity risk by maintaining sufficient cash and cash equivalents and by monitoring forecasted cash flows against anticipated operating expenditures. Accounts payable and accrued liabilities are managed in relation to trade and other receivables.

Management believes that the Company's planned operating expenditures for 2026 do not exceed its committed sources of funding and reasonably expected revenues. The Company continues to monitor liquidity closely as it scales operations and invests in growth initiatives.

Outlook and Forward-Looking Information

Looking ahead, Innovotech expects 2026 to be a year of continued growth and strategic positioning, with a particular focus on expanding the scale and scope of the business through both organic initiatives and selective mergers and acquisitions. The Company has developed a pipeline of potential acquisition opportunities and is actively evaluating these targets. Opportunities under review range from smaller tuck-in acquisitions that add incremental capabilities, to bolt-on transactions that expand service offerings or geographic reach, as well as select transformational opportunities that could materially accelerate the Company's long-term growth trajectory. Management is advancing integration and execution plans in parallel with its evaluation efforts to ensure that any transaction aligns with Innovotech's operational, cultural, and capital discipline.

Operationally, the Company continues to face constraints related to laboratory space in the Edmonton market. The availability of suitable laboratory facilities is limited, and rental rates for specialized lab space have increased materially, with landlords becoming more aggressive in pricing and lease terms. Given Innovotech's long-term growth plans, the need for highly specialized infrastructure, and the complexity of relocating accredited and regulated laboratory operations, management believes it is increasingly wise to pursue ownership of its own facility. Controlling its physical infrastructure would allow the Company to better manage certifications, customize space to operational needs, and reduce long-term exposure to volatility in the commercial leasing market.

From a services perspective, Innovotech is expanding and diversifying its revenue base across multiple laboratory offerings. The Company is launching hazardous drug wipe testing services for pharmacies, which is expected to generate incremental demand for sterility and endotoxin testing. These services build naturally on existing quality systems and technical expertise and strengthen Innovotech's position in regulated healthcare environments.

The Company has also secured several high-profile, long-term stability studies, including one associated with a clinical trial. These projects typically extend over multiple years and drive sustained demand for stability testing as well as associated analytical chemistry services. Management sees substantial growth opportunity in this area, as stability programs often expand in scope over time and lead to additional testing requirements as client products progress through development and regulatory review.

Innovotech continues to evaluate opportunities to strengthen the products side of its business. During the year, the Company introduced a new version of the MBEC Assay® Kit featuring a silicone coating designed to more closely replicate medical device surfaces. This enhancement reflects ongoing efforts to ensure that the Company's products remain aligned with real-world applications and evolving client needs. Management is also assessing additional product opportunities that could complement the Company's service offerings and enhance recurring revenue streams.

With respect to InnovoSIL™ antimicrobial agent, the Company is advancing efforts toward more direct commercialization. Management has begun laying the groundwork for potential regulatory submissions and is evaluating appropriate pathways to market. In parallel, at least one collaborator has committed capital to develop a new application of InnovoSIL™ antimicrobial, providing external validation of the technology's potential and supporting continued development activities.

Management expects organic revenue growth to continue, supported by more dedicated sales and business development efforts and by the expansion of service offerings. As the Company grows, it also expects to reduce its reliance on a small number of clients by broadening its customer base across industries, geographies, and service lines, thereby improving revenue and risk diversification.

Later in the year, Innovotech expects to launch new assay services utilizing porcine skin explants as a proxy for in vivo conditions. These assays are designed to more closely replicate physiological environments relevant to medical devices, including wound care products, catheters, and injectable systems, and are intended to further differentiate the Company's contract research capabilities.

Finally, Innovotech is pursuing an OTCQB listing and expects to increase its engagement with a broader investor audience as the Company scales. Management intends to dedicate additional effort to communicating the Innovotech story, its growth strategy, and its evolving capabilities to U.S. and international investors, while maintaining a disciplined focus on execution and long-term value creation.

End.