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Innovotech Inc.

Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2016

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Welcome to Innovotech Inc., a company with the expertise to provide practical services and solutions for dealing with medical, agricultural and industrial problems caused by microbial biofilms.

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For further information on Innovotech Inc., please visit the Company's website at www.innovotech.ca. Other information can also be found on The System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. In particular, Innovotech's 2016 Audited Annual Financial Statements.

Innovotech Inc. shares trade under symbol IOT on the TSX Venture Exchange (TSX-V).

The following Management's Discussion and Analysis (MD&A) covers the fiscal year ended December 31, 2016

This Introduction and the Table of Contents are only for the convenience of the reader. They do not form part of the MD&A and do not affect its content, interpretation or construction.

Innovotech is always interested in improving its presentation and release of information in documents such as this one. Please feel free to send your advice and comments using the Questions & Comments form under the menu item "Contact Us" on the website www.innovotech.ca or email us directly at info@innovotech.ca.

If you are interested in being on our regular contact email list, please register with us at www.innovotech.ca.



Innovotech Inc.

Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2016.

The following Management's Discussion and Analysis (MD&A) of results of operations and financial position as at April 26, 2017 should be read in conjunction with the audited financial statements of Innovotech Inc. (Innovotech or "the Company") for the year ended December 31, 2016, and the related notes thereto.

Management is responsible for the information contained in the MD&A and its consistency with information presented, reviewed and approved by the Audit Committee and Board of Directors.

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

Forward Looking Statements

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; consequently, 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, service and pricing; availability and cost of raw materials; fluctuations in operating results; government policies or actions; progress and cost of clinical trials; reliance on key strategic relationships; uncertainty related to intellectual property protection and potential costs associated with its defense; the Company's exposure to lawsuits and other matters beyond the control of management; the impact of the adoption of new accounting standards on 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 and most recently filed AIF.

Should known 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.

Executive Summary

Innovotech has built its reputation and business as a provider of services and proprietary products that reflect its expertise in microbial biofilms and methods to combat them.

Financial results in the last quarter of 2016 as well as for the full year are encouraging and show the effects of management efforts to increase revenue and decrease costs. Indeed both these periods resulted in positive EBITDAS of \$124,629 and \$119,793, respectively.

The Company's reputation has brought new clients every year to its contract research business, primarily from the area of human health. The Company has added services such as bacteriophage and toxicology testing to better serve clients' needs. Contract research revenue is up over 56% compared to the previous year.

Product sales have also increased by over 18%.

Research and development continues to focus on the commercial development of Agress® and the InnovoSIL™ family of silver based compounds.

Field trials comparing the effectiveness of Innovotech's Agress® or AgreGuard™ against eight commercially available products or combinations of products showed promise. Moreover, trials on high value crops took place in 2016 with encouraging results.

Innovotech products have shown effectiveness against such diseases as Powdery Mildew on lettuce, White Mould on beans, Bacterial Spot on tomatoes and Fire Blight on apples. They are effective at low concentrations, are applied using conventional techniques in green houses and outdoors and can be both cost effective and environmentally more friendly than currently used products such as streptomycin.

Innovotech enhances its reputation and sales through research publications. In 2016, Dr. Amin Omar and Dr. Patricia Nadworny published a peer reviewed article: *Review: Antimicrobial efficacy validation using in vitro and in vivo testing methods* in *Advanced Drug Delivery Reviews*. This review represents another milestone in positioning Innovotech as a worldwide expert in antimicrobial testing for medical devices (<http://www.sciencedirect.com/science/article/pii/S0169409X16302587>, .. <http://doi.org/10.1016/j.addr.2016.09.003>).

Innovotech is working with Agricultural and Agri-Food Canada (AAFC) to determine the path forward on its current obligations to repay the two AAFC repayable contributions received under the federal Canadian Agricultural Adaptation Program (CAAP) that were originally due to be repaid by the year 2020.

The goal Innovotech established was clear: Innovotech would build a stable business around its expertise in microbiology, particularly in respect to biofilms, by providing the leadership, services and products that are in demand in a variety of industries. The progress achieved in 2016 has continued into 2017.

In 2017 the Company worked to secure, through a private placement, funds that it intends to use to increase its marketing efforts and to exploit its expertise and intellectual property. This placement has received conditional approval from the TSX, but is still subject to final approval.

Overview of Business

Innovotech Inc. has the expertise to provide practical services and solutions for dealing with medical, agricultural and industrial problems caused by microbial biofilms.

Biofilms play a significant role in chronic infections and diseases in:

- Human health, such as hospital-acquired infections, diabetic ulcers, cystic fibrosis lung infections and medical device-related infections;

-
- Animal health, such as mastitis in dairy cattle and pyoderma in dogs;
 - Agriculture, such bacterial blight in pulse crops or microbial diseases affecting tomatoes or peppers
 - Industry, such as microbial-induced corrosion of oil and gas pipelines;
 - Food processing, in the design and maintenance of clean plants.

Check Innovotech's website www.innovotech.ca for background information on the impact of biofilm infections, particularly pages http://www.innovotech.ca/research_science.php, <http://www.innovotech.ca/research.php>, and http://www.innovotech.ca/research_publication.php.

Innovotech's contract research specializes in solving biofilm issues and has a successful track record of assembling data packages for regulatory applications required by the US Food and Drug Administration (FDA) and other regulatory bodies for implant medical devices. The Company has applied its expertise to resolve many other biofilm issues, including, but not limited to, the areas of catheter and implant medical devices, dental treatments, water line antimicrobial agents and food plant contamination.

The oil and gas industry uses biocidal chemicals to resolve the problem of bacterial induced corrosion. The service that Innovotech provides evaluates individual biocides against sample bacteria. This approach leads to better treatment choices that maintain effectiveness at reduced cost and environmental impact.

Innovotech has also worked with clients developing products for bacterial and fungal agricultural crop diseases and hard surface disinfectants in food safety, transportation and health care. While Innovotech has been building its reputation in providing services through its contract research, it also has commercially available or developing products that address the issue of biofilms in a number of different industries. The MBEC Assay™ for the research, development and quality control market is an essential tool for those who want to establish antibiofilm claims of their new or existing products. InnovoSIL™ -1 has continued to demonstrate its potential as an antimicrobial coating of catheters and other medical devices inserted into the body. In the agriculture sector Agress® and AgreGard™ are silver based compounds for use against crop diseases in both fields and in greenhouses.

The MBEC Assay™ is a high throughput biofilm growth device that was approved in 2012 as an ASTM International standard for testing hard surface disinfectant products that are submitted to regulatory agencies with anti-biofilm claims. This means that any hard surface disinfectant product claiming effectiveness against biofilms has to pass tests that are based on the Innovotech growth device.

InnovoSIL™ -1 is a silver based antimicrobial compound that has the unique feature that it is not rapidly inactivated by chloride (salt) that is present in all body tissues. The Company is not aware of any other silver formulations that possess this trait. Tests show InnovoSIL™ -1 out performs several products, both silver and non-silver based, that are currently commercially used as antimicrobials in wound dressings and medical device coatings. In the case of wound dressings, InnovoSIL™ -1 performed thousands of times better than the present two leading wound dressings in killing bacteria typically present in wounds.

The Company is working with potential users of InnovoSIL™ -1 as a coating for medical devices and wound dressings. The work outside of Innovotech has continued to move slowly and there are competing technologies that may not be as good, but have the advantage of already being used. Innovotech is actively seeking to accelerate the process through the use of its research facilities. Innovotech's expertise in gaining regulatory approval will also prove useful in eventually bringing medical devices coated with InnovoSIL™ -1 to market.

There are other members of the InnovoSIL™ family that have different properties that may be suitable for applications in which InnovoSIL™ -1 does not excel. These compounds are at a much earlier stage in their development, but some work on optimizing manufacturing methods was done in the year.

Innovotech's Agress® and AgreGuard™ (a member of the InnovoSIL™ family) have shown promise. Innovotech products have shown effectiveness against such diseases as Powdery Mildew on lettuce, White Mould on beans, Bacterial Spot on tomatoes and Fire Blight on apples. They are effective at low

concentrations, are applied using conventional techniques in green houses and outdoors and can be both cost effective and environmentally more friendly than currently used products such as streptomycin.

In 2017 the Company worked to secure, through a private placement, funds that it intends to use to increase its marketing efforts and to exploit its expertise and intellectual property. This placement has received conditional approval from the TSX, but is still subject to final approval.

Intellectual Property

The Company's core biofilm technology, which consists of the MBEC Assay™ and BEST Assay™, is exclusively licensed from the University of Calgary.

In addition, the Company has filed its own family of patents to protect product technology, especially (and exclusively) InnovoSIL™ in medical device applications and Agress® and AgreGuard™ for agricultural use.

As part of its narrowed R&D focus the Company is reviewing its IP policies, in relation to IP it has licensed as well as the maintenance of patents it has been granted and applications for new patents.

Update on InnovoSIL™

InnovoSIL™ represents a group of silver-based antimicrobials currently under development. The lead product InnovoSIL™-1 has demonstrated that it eliminates microorganisms better than other wound care products in the market. The Company is aggressively pursuing licensing InnovoSIL™-1 to medical device partners.

When compared to commercially available antimicrobial coatings used on medical devices, InnovoSIL™-1 showed superiority in controlling bacterial growth and longevity of action. It has been coated on various surfaces, including wound dressings, metals and polymers. Innovotech has finalized a manufacturing process that allows the product to be made simply, with high purity and high yield. The Company continues to expand or refine its knowledge of the characteristics of InnovoSIL™-1.

Unlike many silver compounds, InnovoSIL™-1 has excellent storage stability and other desirable characteristics, opening the door to many potential applications. Companies have expressed interest in applying InnovoSIL™-1 to wound dressings, urinary catheters, vascular catheters and endotracheal (breathing) tubes.

An inventory of material was built to meet expected sample requests for field trials and other agricultural applications and for testing for use with medical devices.

Update on Agress® and AgreGuard™

Potential seed and foliar (leaf) treatment uses for Agress® have been documented based on work conducted in field and greenhouse trials. The Company has determined that a new product, AgreGuard™ possesses different physical characteristics possibly making it better suited for specific applications.

The market need for bactericides in agriculture continues to mount as more agricultural pathogens show greater resistance to commonly used streptomycin, and copper alternatives continue to show toxicity to plants at levels required to show bacteria control.

Innovotech's antimicrobial silver products for agricultural applications performed well in field studies over the past year. Three US Pest Problems Without Solutions (PPWS) trials for managing bacterial spot (*Xanthomonas perforans*) in tomato were performed. In the first, Agress® showed significant improvements in disease severity relative to controls in the greenhouse, while AgreGuard™-1 was found to be the most effective treatment relative to all other products and controls in the field. In the second trial, both Agress® and AgreGuard™-1 significantly reduced the Area Under Disease Progress Curve (AUDPC),

while also outperforming other test products in marketable fruit yield. In the third trial, AgreGuard™-1 significantly reduced disease incidence and severity both in the greenhouse and in the field.

In a Fire Blight (*Erwinia amylovora*) management trial in apples, Agress® outperformed all other products and controls, while AgreGuard™-1 was as effective as antibiotic standards. The results of the Fire Blight trial will be presented at the 2017 American Phytopathological Society Meeting.

More detail about the chemical properties of Agress® can be found in the article <http://www.sciencedirect.com/science/article/pii/S0277538715003939>.

Update on Contract Research

The Company has developed a reputation for expertise that has brought new clients every year to its contract research business. The present client list is primarily from the area of human health.

Innovotech intends to build a business around its expertise in microbiology, particularly in respect to biofilms, by providing the leadership and services that are in demand in a variety of industries. Innovotech's contract research department has recently expanded its services to testing bacteriophages as a new addition to its line of services. The company is looking forward to adding other new testing services such as toxicology testing in the future.

Innovotech provides a valuable service for its clients from the initial screening of antimicrobial candidates, to the development of scientific studies used to justify product antimicrobial claims when submitting applications to regulatory agencies including the Food and Drug Administration (FDA).

A new peer reviewed article was published in September, 2016 to market our contract research services and our team expertise in testing antimicrobial performance of coatings on medical devices. This article helps position our research team as a worldwide leader in *in vitro* and *in vivo* antimicrobial testing, especially for regulatory approval. (See <http://authors.elsevier.com/sd/article/S0169409X16302587> .)

The Company continues to pursue and work with its partners in the oil and gas industry to help companies avoid costly environmental disasters stemming from pipeline leaks that can be traced to corrosion due to the activity of microbes. As well Innovotech can lessen the environmental impacts and the costs associated with using improper or excessive treatments of limited effectiveness.

The Company's contract research business also forms a critical connection with industry needs in the biofilm market that ultimately creates new product opportunities for the Company.

Update on MBEC Assay

MBEC Assay revenues increased to \$319,047 in 2016 compared to \$268,597 in 2015. Innovotech sells directly to customers throughout the world.

Innovotech has introduced new coated MBEC Assay products, in response to customer interest. The Company is looking forward to expanding sales from this technology.

EBITDAS

This non-GAAP measure is not defined under IFRS and may not be comparable to similar measures presented by other companies. For the Company, it is defined as earnings before interest, taxes, dividends, amortization and depreciation, and stock based compensation (EBITDAS). Management believes that EBITDAS as defined here is useful in providing investors with additional information to assist them in understanding the operational performance.

	2016				2015			
(\$)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss)	(137,468)	36,420	(68,843)	(45,644)	(50,073)	(47,135)	(92,988)	(60,409)
Net interest expense	261,238	16,763	17,522	20,365	19,215	18,651	21,674	19,095
Depreciation and Amortization	859	6,193	6,194	6,194	10,580	10,780	10,679	10,680
Stock based compensation	-	-	-	-	-	-	13,326	-
EBITDAS	124,629	59,376	(45,127)	(19,085)	(20,278)	(17,704)	(47,309)	(30,634)

In the year ended December 31, 2016, the Company generated positive EBITDAS of \$119,793 compared to negative EBITDAS of \$115,925 for the year ended December 31, 2015. Revenue increased to \$1,005,598 for the year ended December 31, 2016 from \$707,781 for the year ended December 31, 2015, an increase of \$297,817 or 42%. Operating expenses increased to \$632,911 for the year ended December 31, 2016 from \$609,034 for the year ended December 31, 2015, an increase of \$23,877 or 4%.

Summary of Quarterly Results

	2016				2015			
(\$)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross revenue	342,291	257,580	206,387	199,340	163,248	185,513	183,804	175,216
R&D expense	7,568	12,658	83,098	45,260	31,081	58,022	74,722	69,465
Net income (loss)	(130,468)	29,420	(68,843)	(45,644)	(50,073)	(47,135)	(92,988)	(60,409)
Net income (loss) per share	0.00	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Results of Operations

In the year ended December 31, 2016, the Company incurred a net loss of \$215,535 (2015 – \$250,605, 2014 – \$209,640). At December 31, 2016, the Company's total assets were \$325,270 (2015 – \$213,062, 2014 – \$408,858) and non-current liabilities were \$nil (2015 – \$552,396, 2014 – \$497,511).

Revenues

In the year ended December 31, 2016, total revenues were \$1,005,598 (2015 - \$707,781, 2014 - \$902,620). This included contract research revenue of \$686,551 (2015 - \$439,184) and product sales of \$319,047 (2015 - \$268,597).

General and Administrative Expense

In the year ended December 31, 2016, general and administrative expense, including stock based compensation expense and allocated amortization expense, was \$497,506 (2015 - \$447,983).

Cost of Sales

Cost of sales consisting of direct labour, direct materials and allocated amortization, in the year ended December 31, 2016 was \$272,334 (2015 - \$270,717). In the year ended December 31, 2016, cost of sales for the contract research segment of Innovotech revenue was \$146,540 (2015 - \$149,709). The cost of sales for products was \$125,794 (2015 - \$121,008).

Amortization

Amortization is proportionately allocated to general and administrative, cost of sales and research and development activities. In the year ended December 31, 2016, amortization was \$19,440 (2015 – \$42,719). The amount allocated to G&A expenses was \$1,945 (2015 – \$4,540); cost of sales \$8,747 (2015 – \$16,927); research and development \$8,748 (2015 – \$21,252).

Stock Based Compensation

For the year ended December 31, 2016, stock based compensation expense was \$nil (2015 – \$13,326). The expense was recorded due to accruing compensation cost over the vesting period of options granted in the current and previous periods.

Research and Development

In the year ended December 31, 2016, research and development expense, including allocated amortization and patents costs, was \$148,584 (2015 – \$233,290).

Scientific Research Tax Credits

During the year ended December 31, 2016, the Company received \$14,290 (2015- \$nil) in Alberta Scientific Research and Experimental Development (SR&ED) tax credits for qualifying expenditures incurred in 2015 calendar year. The Company continued further research and development activity in 2016 and will be applying for the relevant tax credits in 2017.

Net interest expense

The Company recorded net interest expense of \$69,559 (2015 – \$78,635) during the year ended December 31, 2016. The net interest expense is comprised of interest income earned and non-cash interest expense on repayable contributions, almost entirely CAAP grants described below.

Repayable contributions payments

In November 2016, CAAP informed the Company that they were exercising their right to demand payment in full, as the Company had defaulted on the payment due in 2016. The Company has classified the repayable contribution, plus accrued interest at 5% per annum for a total of \$866,151, as a current liability. In the prior year, the Company recorded the current portion of \$15,850 of principal of CAAP repayable contributions under current liabilities.

Liquidity and Capital Resources

At December 31, 2016, the Company had \$33,169 in cash compared to \$32,443 at December 31, 2015.

At present, the Company's expenses are in excess of its revenue, thereby creating year to date losses that have accumulated since the Company's inception. There is significant doubt about the Company's ability to continue as a going concern. See Note 1 to the December 31, 2016 for additional information regarding this issue.

The Company intends to manage its liquidity risk through a combination of activities in the immediate future. These include:

- 1) Expanding the revenue from its contract research business
- 2) Gaining revenue from the sale of products it has developed
- 3) Receiving revenue from the licensing of products or technology
- 4) Receiving grants to offset product development costs
- 5) Reducing operating expenses as much as possible
- 6) Suspending research and development projects that are not close to contributing to near term revenue
- 7) Postponement or waiver of compensation by officers
- 8) Private financings

If cash flow from operations is insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a reduction in the scope of existing and planned operations

The original agreement called for repayment by 2020, and the default is the required formal part of the process to initiate negotiations to come up with a repayment schedule that is appropriate for the circumstances. Negotiations are ongoing and are expected to be concluded in Q2 2017

On April 10, 2017, the Company entered into a subscription agreement for gross proceeds of \$400,000 by way of a private placement that received conditional approval from the TSX Venture Exchange on April 12, 2017 but is still subject to final approval

Financing Activities

In the year ended December 31, 2016 the Company received \$12,500 from shareholders to fund ongoing operations (2015 – \$nil).

Investing Activities

In the year ended December 31, 2016, the Company invested \$nil (2015 – \$nil) in capital assets. The Company continues to ensure that capital assets are allocated to support essential development projects.

Outstanding Share Capital

At December 31, 2016, the Company had 28,739,612 common shares outstanding, no warrants and stock options to purchase up to 1,323,000 common shares.

Related Party Transactions

Certain related parties provide services to the Company either directly or through companies that they control. Fees charged by such companies for administrative and professional fees for the year ended December 31, 2015 were \$97,071 (2014 – \$65,734). These services are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company also incurred interest on shareholder loans advanced to the Company by related parties.

Name	Relationship	Purpose	Year ended December 31, 2016	Year ended December 31, 2015
Bruce Hirsche, Parlee McLaws LLP¹	Corporate Secretary and Legal Counsel, Director	Professional Fees Interest expense	11,762 1,250	14,798 1,250
Bernard Grobbelaar²	Chief Financial Officer, Director	Professional Fees	81,900 500	82,273 -
Dr. Gerard Tertzakian	Director	Interest expense	1,750	1,250
Dr. Wolfgang Muhs	Director	Interest expense	1,750	1,250
Dr. James Timourian	Chief Executive Officer, President	Interest expense	752	-

¹ Parlee McLaws LLP is the Company's corporate counsel. Mr. Bruce Hirsche is a partner at Parlee McLaws LLP and is the legal counsel to the Company in this capacity. Mr. Hirsche as Corporate Secretary is also an Officer of Innovotech.

² Bernard Grobbelaar Professional Corporation and Oikonomos Management Ltd. are owned by Bernard Grobbelaar. Mr. Bernard Grobbelaar provides his services as Chief Financial Officer on a contract basis through Bernard Grobbelaar Professional Corporation as well as providing accounting personnel performing all internal accounting and payroll functions for Innovotech Ltd. through Oikonomos Management Ltd.

Changes in accounting policies

On January 1, 2016, the Company adopted the amendments to IAS 1, Presentation of Financial Statements. IAS 1 was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Adoption of the amendments did not result in any charges to the presentation or disclosures in the financial statements.

Controls and Procedures

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

(i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that

(ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR"), as defined in NI 52-109.

In particular, the certifying officers filing Venture Issuer Basic Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Outlook

Innovotech's immediate goals are to grow the market for its contract research service in human health, to expand that business to other industries, and to expand the range of devices it supplies to research organizations, as well as exploit its proprietary technology.

The improvement in the financial stability of the Company along with new financial investment in 2017 that has received conditional TSX approval, but is subject to final approval, will help achieve these goals.

The majority of clients of the Company's contract research services are global medical device companies. They understand the connection between the use of their products and the biofilm nature of hospital-acquired and other infections. Innovotech provides a valuable service to these companies from the initial screening of antimicrobial candidates, to the development of scientific studies used to validate product antimicrobial claims when submitting applications to regulatory agencies, including the U.S. Food and Drug Administration (FDA). The company also provides post-market product comparisons used for marketing purposes.

The revenue from new clients for contract research acquired in previous years should continue to play a strong role in total contract research revenue in 2017. While new client contracts are often small, as they occur early in the development cycle of a product or as a demonstration project for a client, the acquisition of new clients bodes well for long term growth.

Sales revenue of the MBEC Assay, the biofilm growth device used primarily in research or to conduct high throughput screening of potential anti-biofilm compounds, should continue, at least at present levels, if not increase. The development of specially coated MBEC plates should expand the revenue from these products in subsequent quarters.

The Company sees excellent opportunities for InnovoSIL™-1 in wound care and coatings on polymers that are used for urinary catheters and endotracheal tubes. The Company has demonstrated that InnovoSIL™-1 exceeds industry standards for bacterial kill and duration of activity in several device applications. These findings have resulted in ongoing evaluations by multinational companies.

In wound care applications, InnovoSIL™-1 has outperformed similar commercial products in activity against several common bacterial and fungal infections. The Company will aggressively pursue licensing agreements with medical device companies.

Field trials of Innovotech's Agress® or AgreGuard™ have shown effectiveness against such diseases as Powdery Mildew on lettuce, White Mould on beans, Bacterial Spot on tomatoes and Fire Blight on apples. They are effective at low concentrations, are applied using conventional techniques in green houses and outdoors and can be both cost effective and environmentally more friendly than currently used products such as streptomycin.

One purpose of the forthcoming financing is to pursue the opportunities for these agricultural products.

More testing of different formulations will take place in 2017, The Company has produced an inventory of InnovoSIL™-1, Agress® and AgreGuard™ in order to quickly respond to requests for sample material.

Innovotech has opened discussions regarding its obligations to Agricultural and Agri-Food Canada under the CAAP agreements, as referred to in the Executive Summary and the Financial Statements. It expects to have a workable plan in place by the second quarter of 2017.

Additional Information

Additional information relating to Innovotech Inc. including its 2016 Audited Annual Financial Statements, is available on www.sedar.com.