

INNOVOTECH INC.
Management's Discussion and Analysis of Financial Conditions
And Results of Operations for the Three and Nine-Month Periods Ended September 30, 2019
(as of November 20, 2019)

The following Management Discussion and Analysis (MD&A) of results of operations and financial position as at September 30, 2019 should be read in conjunction with the audited financial statements of Innovotech Inc. ("Innovotech", "we", or "the Company") for the year ended December 31, 2018 and the related notes thereto. This MD&A is provided by management using information available up to November 20, 2019,

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, or at www.innovotech.ca.

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, 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.

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.

OVERVIEW OF THE BUSINESS

Innovotech was incorporated in 2001 under the Alberta Business Corporations Act. The Company was listed on the TSX Venture Exchange in 2003. Since that time, the Company has become a leader in the field of contract research in connection with the susceptibility of coated medical devices to microbial biofilm formations. Innovotech occupies offices and laboratories in Edmonton, Alberta, Canada.

The Company makes and sells globally the MBEC Assay® Kit, a high throughput biofilm growth device approved as an ASTM International Standard test kit used to test anti-biofilm product claims.

Innovotech has developed and patented an anti-biofilm silver periodate compound for wound care and medical device coatings called InnovoSIL™-1, a silver-based antimicrobial that has the unique feature that it is not rapidly inactivated by chloride (salts) that is present in all body tissues.

BUSINESS STRATEGY AND MARKETING

The Company has two businesses, contract research and the production and sale of the MBEC Assay® Kit. In its contract research business the Company is a leader in a niche market related to testing and qualifying medical devices such as implants and other products for their susceptibility to, or resistance to the formation of microbial biofilms. The Company has methodologies, equipment, and long experience that it believes give it certain proprietary advantages and efficiencies.

The Company pursues new accounts in its contract research business on a direct contact basis. We have determined over time that maintaining an active profile that is connective to the finite number of client entities available to us is the most effective and useful approach to marketing our services. We use direct e-mail and telephone communication supported by personal visits to maintain and renew our clientele. The Company's recent ISO 17025 accreditation has raised our profile with our clients.

Innovotech's manufacture and sale of the MBEC Assay® Kits also keeps the Company's name in the forefront of research and medical device testing of microbial biofilms on a global basis. The consistent and growing revenues from sale of the Kits helps to mitigate the volatility inherent in contract research services. The Company believes that the association of the Kit with its contract research services is contributory to its contract research marketing efforts.

Also contributing to industry awareness of Innovotech's research capabilities is the publishing of Open Access research papers authored by Innovotech's staff either alone or in partnership with other science-based organizations. Such papers contribute to the general knowledge base of the microbiology universe. These papers are available on the company's website, www.innovotech.ca.

The Company continues to speak with medical device companies to interest them in evaluating the anti-microbial biofilm properties of our InnovoSIL™ compounds to advance those products toward commercial application. There is ongoing and promising third-party testing of our InnovoSIL™-1 products (see product discussion below in that regard and in regard to a recent patent issued).

Strategically, the Company continues to look for merger or acquisition opportunities to diversify its business activities, provide increased revenues, and extend its reach. This strategy is supported by our greater than \$7.5 million (Dec. 2018) of long-term tax pools available to reduce future net income for tax purposes.

OVERALL PERFORMANCE

The continuing effect of the Company's successful efforts to reduce costs of expensed R&D and G&A costs and our focus on measures to increase revenues is demonstrating traction. The ISO 17025 accreditation has supported these efforts, as has much client contact, along with innovative devices and procedures developed by the Company, and these things have led to an improved financial performance in the third quarter of 2019, and in the nine months to September 30th, 2019 over those interim periods of the prior year.

FINANCIAL RESULTS OF OPERATIONS

Results for the three months ended September 30, 2019 (Q3):

Gross revenue for Q3 improved to \$248,884 from \$216,536 in Q3 of the prior year, an increase of 14.6%. Results, led by contract research services at \$160,667, supported by growing product sales of \$88,217 resulted in a net profit of \$15,200, compared to a net loss of \$16,783 in Q3 of the 2018 year. The result is consequent on higher revenues generated at lower costs.

Revenue & gross profit

	Q3, 2019	Q3, 2018
Contract research revenue	160,667	177,450
Product Sales (the MBEC Assay® plates)	88,217	39,086
Gross revenue	248,884	216,536
Cost of goods sold	71,338	44,332
Gross profit	177,546	172,204

Higher revenues over the prior year's Q3 were driven by higher MBEC Assay® plate sales. We believe that this is in response to offering more convenient order alternatives and quantities, available innovative pre-treatment of products, and what may be increased global attention to the threat to health from microbial biofilm infections leading to an attendant increase in global R&D aimed at mitigating that threat and global use of the MBEC Assay® plates to assist in doing so.

Operating expenses & net income (loss)

	Q3, 2019	Q3, 2018
General & administrative expenses(G&A)	167,087	178,157
Sales and marketing	-	-
Bad debt expense	-	-
Research and development	4,140	32,371
Employment grant	(10,380)	-
Scientific research tax credits	-	(3,303)
Total operating expenses	160,847	207,225
Interest expense	1,499	-
Net income (loss)	15,200	(16,782)

The reduction in G&A expenses by 7% from \$178,157 in Q3, 2018 to \$167,087 in the current Q3 occurred coincident with a 15% increase in Q3 revenue.

Results for the nine months ended September 30, 2019

Improved performance in the 9 months to September 30th is attributable to a 20.7% increase in revenues over those of the prior the prior 9 months combined with reduced R&D expenses along with closely monitored G&A costs resulting in the prior year's 9-month loss of \$159,479 being reduced to a loss of \$4,349 in the current year. Higher cost of sales reflected contract research product mix in Q2 and Q3.

Nine-months to September 30, 2019

	9 months 2019	9 months 2018
Contract research revenue	530,891	448,475
Product sales (the MBEC Assay® plates)	226,628	246,156
Gross revenue	757,519	627,320
Cost of sales	228,919	162,677
Gross profit	528,600	464,643
General & administrative expenses	502,227	554,935
Bad debt expense	22,873	-
Sales and marketing	39	235
Research and development	16,063	72,258
Employment grant	(12,753)	-
Scientific research tax credits	-	(3,303)
Total operating expenses	528,449	624,125
Interest income		3
Interest expense	4,500	-
Net income (loss)	(4,349)	(159,479)

Nine-month EBITDAS comparison

EBITDAS, or earnings before interest, taxes, depreciation, amortization and stock-based compensation, is not a Generally Accepted Accounting Principle; but it is a useful measure of comparative operational performance over quarterly and annual time periods.

	9 months 2019	9 months 2018
Net income (loss)	(4,349)	(159,479)
Depreciation and amortization	9,385	11,337
Loss on disposal of equipment	-	1,297
Interest	4,500	-
Stock-based compensation	5,771	34,129
	15,307	(112,716)

The improvement in EBITDAS stems from higher revenues and lower G&A and R&D expenses, which led to a profitable third quarter. The interest component is interest on a \$100,000 6% debenture described below. Share-based compensation costs derived from stock options provided to four non-executive employees and one new director.

OUTLOOK

The Company is optimistic that its revenues, which are continuing to benefit from the ISO certification and experiencing strong demand for the MBEC Assay® plate will continue to trend higher. As a contractor in respect of our contract research services we are dependent on our ability to obtain and execute on contracts. We have, however, budgeted for increased marketing efforts in the 2020 year, and there is every reason to be encouraged by the level of contract research activity on hand and visible ahead.

ASSETS, LIABILITIES AND SHAREHOLDER'S EQUITY

	Sept. 30, 2019	Dec. 31, 2018
Current assets	221,045	211,425
Equipment & other	53,958	60,905
Total assets	275,003	272,330
Current liabilities	80,111	178,860
Long-term liabilities	100,000	-
Shareholder's equity	94,892	93,470

LIQUIDITY AND CAPITAL RESOURCES

Innovotech has had a history of frequent quarterly and annual losses caused by high levels of expensed R&D costs. The Company has, in the past, funded its operations primarily from equity financing, shareholder loans and government grants and loans. The Company is working to change those operating dynamics. As of September 30, 2019, the Company had cash and cash equivalents of \$88,441 versus \$28,808 at December 31, 2018, and a working capital of \$140,934 versus \$32,565 at December 31, 2018. The improvement in working capital is on account of the profitable 2019 third quarter, and the July 15, 2019, change in term to maturity of the 6% shareholder loan in the amount of \$100,000, which now matures on July 15, 2022 and thereby becomes a long-term liability.

SUMMARY OF QUARTERLY RESULTS

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Gross revenue	248,884	286,614	222,021	199,615	216,536	194,988	215,796	195,087
Cost of Sales	71,338	88,491	69,090	57,937	44,332	53,933	64,412	44,196
Gross profit	177,546	198,123	152,931	141,678	172,204	141,055	151,384	150,891
Expenses	160,847	203,154	167,449	109,833	188,987	207,225	193,782	121,603
Net income (loss)	15,200	-5,031	-14,518	31,845	-16,783	-66,170	-42,398	29,289
Net income (loss) per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

ABOUT INNOVOSIL AND AGREGUARD PRODUCTS

Innovotech has financed and completed intensive R&D on the development and application of silver/iodide compounds over the past several years. In terms of the anti-microbial properties of the resulting products, the work has been successful. We refer to the several products derived as the InnovoSIL™ family.

InnovoSIL™-1 is a silver based antimicrobial compound that has the unique feature that the silver component is not rapidly inactivated by chloride (salt) that is present in all body tissues.

In 2017 Innovotech was issued US patent #9723843 covering the InnovoSIL™ family of Silver (1) Periodate Compounds Having Broad Anti-Microbial Properties, including InnovoSIL™-1 and AgreGuard™. The patent claims the ability to prevent, reduce, and treat microbial growth or contamination and describes treatment of infection in humans, pets, and livestock, disinfection of surfaces, and anti-biofilm as well as anti-planktonic (free floating) activity. The patent claims the use of AgreGuard™ as an antimicrobial agent to coat plant surfaces (including leaves or seeds), thus providing protection for agricultural applications of interest.

On Oct. 8, 2019, subsequent to the third quarter under review, the Company received U.S. patent No. 10,434,210 for antimicrobial silver iodates in gels functional for slow release in surface coatings of medical implant devices or direct application to wounds (although InnovoSIL™ does not have FDA or Health Canada approval for either application as of this date).

InnovoSIL-1, AgreGuard-1 and related silver compounds covered by the above patents are broadly effective against bacterial and fungal biofilms associated with human, animal and plant infections, and eliminate infections via multiple mechanisms of action, making it difficult for microbial resistance to develop.

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. Thus, US patent #9723843 also provides coverage for a variety of compounds in the family that replace some of the silver with other metals or hydrogen. This could allow Innovotech to generate additional products with tuned physical or chemical properties such as stability or solubility, or with reduced costs.

Innovotech's AgreGuard™ products have shown effectiveness against such diseases as Powdery Mildew on lettuce, White Mold 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 environmentally friendlier than currently used products such as streptomycin.

CONTRACTUAL OBLIGATIONS

Innovotech records long-term debt on its balance sheet in the amount of a note for \$100,000, comprising the full amount of a debenture provided by a shareholder. The note bears interest at 6% per annum paid monthly, is unsecured, and may be repaid in whole or in part at any time prior to its maturity on July 15, 2022. There are no other material contractual obligations or off-balance sheet arrangements.

OUTSTANDING SHARE CAPITAL

As at the date of this MD&A, there are 36,239,612 issued shares out of an unlimited number of Class A voting shares. There are as of the date of this MD&A, incentive stock options outstanding in the amount of 2,468,000 optioned shares.

EVENTS SUBSEQUENT TO SEPTEMBER 30, 2019

The Company was issued US Patent No. 10,434,210 for antimicrobial silver iodates in gels on October 8, 2019.

Effective Oct. 22, 2019, Innovotech issued incentive stock options to executive and non-executive employees in the amount of 185,000 shares; and to six directors in the amount of 300,000 shares. All options are for a period of five years and are exercisable at 10 cents per share.

CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted IFRS 16, Leases, establishes a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting in IFRS 16 substantially unchanged from the predecessor standards IAS 17 Leases. The standard replaces IAS 17 Leases and related interpretations.

The adoption of IFRS 16 resulted in certain procedural changes in the evaluation of leases, however accounting policies for leases remains the same.

SIGNIFICANT ESTIMATES AND CRITICAL JUDGEMENTS

The preparation of interim financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Non-financial assets, including 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 the impairment exists, and if it does, the amount of impairment to record. These models require assumptions to be formulated about future cash flows, margins and discount rates, which are made using careful judgment, but are nonetheless subject to estimation risk.

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 share-based compensation charged to operations.

The significant accounting policies that are most critical in fully understanding and evaluating the reported results in this MD&A are included in notes 1 to 3 to the Company's Annual Financial Statements as of December 31, 2018.