

# **Innovotech Inc.**

Interim Financial Statements  
(Unaudited)

**For the three and nine-month periods ended  
September 30, 2021 and 2020**

#### NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, part 4, subsection 4.3(3)(a); if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditors.

# Innovotech Inc.

## Statements of Financial Position (Unaudited)

	September 30, 2021 \$	December 31, 2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	540,407	530,144
Marketable securities	57,300	20,000
Trade and other receivables	209,660	143,514
Inventory	58,746	38,880
Prepaid expenses	27,489	20,187
	<u>893,602</u>	<u>752,725</u>
<b>Equipment</b>	95,901	69,715
<b>Convertible debenture (note 4)</b>	120,963	-
	<u>1,110,466</u>	<u>822,440</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	70,952	111,782
Deferred revenue	76,140	45,680
	<u>147,092</u>	<u>157,462</u>
<b>Term loan</b>	20,000	20,000
	<u>167,092</u>	<u>177,462</u>
<b>Shareholders' Deficiency</b>		
<b>Share capital (note 5)</b>	7,695,237	7,576,487
<b>Warrants</b>	159,543	159,543
<b>Contributed surplus</b>	1,546,769	1,531,576
<b>Deficit</b>	(8,458,175)	(8,622,628)
	<u>943,374</u>	<u>644,978</u>
	<u>1,110,466</u>	<u>822,440</u>
<b>Nature of operations and use of going concern assumption (note 1)</b>		

*The accompanying notes are an integral part of these financial statements.*

**Approved by the Board of Directors**

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(Signed) "Alan Savage" Director

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(Signed) "James Timourian" Director

# Innovotech Inc.

## Statements of Changes in Shareholder's Deficiency (Unaudited)

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	Share capital \$	Warrants \$	Shares to be issued	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – January 1, 2021</b>	7,576,487	159,543	-	1,531,576	(8,622,628)	644,978
Net and comprehensive loss for the period	-	-	-	-	164,453	164,453
Shares issued	118,750	-	-	-	-	118,750
Share based compensation	-	-	-	15,193	-	15,193
<b>Balance – September 30, 2021</b>	<b>7,695,237</b>	<b>159,543</b>	<b>-</b>	<b>1,546,769</b>	<b>(8,458,175)</b>	<b>943,374</b>
<b>Balance – January 1, 2020</b>	7,344,818	-	-	1,482,214	(8,728,945)	98,087
Net and comprehensive loss for the period	-	-	-	-	6,676	6,676
Exercise of options	7,750	-	-	-	-	7,550
<b>Balance – September 30, 2020</b>	<b>7,352,568</b>	<b>-</b>	<b>-</b>	<b>1,482,214</b>	<b>(8,722,269)</b>	<b>112,513</b>

*The accompanying notes are an integral part of these financial statements.*

# Innovotech Inc.

## Statements of Operations and Comprehensive Loss

(Unaudited) For the three and nine months ended September, 2021 and 2020

	Three-month period ended		Nine-month period ended	
	September 30, 2021 \$	September 30, 2020	September 30, 2021 \$	September 30, 2020 \$
<b>Revenue</b> (note 7)				
Contract research fees	155,444	274,173	749,193	634,970
Product sales	73,196	68,471	251,808	167,965
Other revenue	8,117	8,832	24,548	8,832
	<u>236,757</u>	<u>351,476</u>	<u>1,025,549</u>	<u>811,767</u>
<b>Cost of sales</b>				
Contract research	64,005	41,883	185,264	146,455
Product sales	15,357	34,912	69,726	77,170
	<u>79,362</u>	<u>76,795</u>	<u>254,990</u>	<u>223,625</u>
<b>Gross profit</b>	<u>157,395</u>	<u>274,681</u>	<u>770,559</u>	<u>588,142</u>
<b>Operating expenses</b>				
General and administrative	178,880	156,034	585,614	489,929
Research and development	5,302	23,929	32,393	36,759
Grants	-	-	-	(40,940)
	<u>184,182</u>	<u>179,963</u>	<u>618,007</u>	<u>485,748</u>
Interest expense	-	1,500	-	2,500
Interest income	(5,315)	-	(11,901)	-
	<u>(5,315)</u>	<u>-</u>	<u>(11,901)</u>	<u>2,500</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<u>(21,472)</u>	<u>93,218</u>	<u>164,453</u>	<u>99,894</u>
<b>Basic and diluted income (loss) per common share</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.00)</u>

The accompanying notes are an integral part of these financial statements.

# Innovotech Inc.

## Statements of Cash Flows

(Unaudited) For the nine months ended September 30, 2021 and 2020

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	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net profit (loss) for the period	164,453	99,894
Adjustments for:		
Amortization	14,773	12,252
Loss on disposal of equipment	-	93
Non-cash interest expense	-	2,500
Non-cash interest income	(2,212)	-
Stock-based compensation (note 6)	15,193	-
	<u>192,207</u>	<u>114,379</u>
Net change in non-cash working capital items (note 6)	<u>(140,984)</u>	<u>70,544</u>
	<u>51,223</u>	<u>185,283</u>
<b>Investing activities</b>		
Purchase of equipment	<u>(40,960)</u>	<u>(36,345)</u>
	<u>(40,960)</u>	<u>(36,345)</u>
<b>Financing activities</b>		
Term loan	-	40,000
Exercise of options	-	12,000
Interest paid	-	(2,500)
	<u>-</u>	<u>415,622</u>
<b>Increase in cash and cash equivalents</b>	<u>10,263</u>	<u>564,560</u>
<b>Cash and cash equivalents – Beginning of period</b>	<u>530,144</u>	<u>96,671</u>
<b>Cash and cash equivalents – End of period</b>	<u>540,407</u>	<u>661,231</u>

*The accompanying notes are an integral part of these financial statements.*

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) September 30, 2021 and 2020

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### 1 Nature of operations and use of the going concern assumption

Innovotech Inc. (the Company) is incorporated under the Business Corporation Act of Alberta. The primary activities of the Company are sales of its products, conducting contract research for outside customers and research and development to identify products for future commercialization. The Company's product is an assay used in growing microbial biofilms for research purposes. The Company is publicly traded and listed on the TSX Venture Exchange, and its registered office is in Edmonton, Alberta.

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In mid-March 2020, federal, provincial, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures continue to have a negative effect on the economies of all nations.

### 2 Basis of preparation

The Company prepares its financial statements in accordance with Part I of the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook) which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

These financial statements were approved by the Board of Directors for issue on November 16, 2021.

### 3 Significant accounting policies

There are no new or amended International Financial Reporting standards or interpretations that required adoption by the Company during the quarter.

### 4 Convertible debenture

On February 19, 2021 the Company acquired a \$150,000 8% convertible loan agreement with CanBiocin Inc. ("CanBiocin"), by way of an assignment from Lonsdale Capital Corporation ("Lonsdale"). Innovotech purchased all of Lonsdale's rights, title, and interest in and to the convertible loan, previously issued on April 13, 2020, with a \$150,000 principal amount outstanding and payable by CanBiocin. The convertible loan bears interest at 8% per annum, payable quarterly until April 13th, 2022 after which date principal is paid monthly in installments of \$3,125.00 together with interest calculated at 8% on the declining balance until the convertible loan is paid in full. At any time prior to April 15, 2025, the Company will have the option to convert the outstanding principal amount and interest outstanding under the convertible loan at a conversion price of \$1.25 per share of Canbiocin. The Company issued 625,000 common shares at a deemed price of \$0.24 per common share for a total deemed price of \$150,000. The common shares traded at a closing price of \$0.19 per share on February 19, 2021. The discount in the debenture will be recognized through comprehensive income on a straight-line basis of the remaining term.

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) September 30, 2021 and 2020

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### 5 Share capital

#### a) Authorized

Unlimited number of Class A common, voting shares

Issued and outstanding

	2021		2020	
	#	\$	#	\$
Opening balance at January 1	36,284,612	7,576,487	36,239,612	7,344,818
Shares issued to acquire convertible debenture	625,000	118,750	-	-
Shares issued on option exercise	-	-	160,000	25,090
Shares issued in private placement	-	-	1,875,000	206,579
Closing balance	38,909,612	7,695,237	38,274,612	7,576,487

#### b) Stock options

The Company has an incentive stock option program (the Program) pursuant to which the Board of Directors of the Company may allocate non-transferable options to purchase common shares to directors, officers, employees and consultants of the Company. The aggregate number of common shares that may be available for issuance from time to time under the Program is not to exceed ten (10%) percent of the number of common shares issued and outstanding in the capital of the Company, calculated on a fully diluted basis. Options granted under the Program must have an exercise price not less than the market value of the common shares (less any permissible discount) at the grant date and vest over a period of one year as resolved by the Board of Directors. These options are exercisable for a period of up to ten years from the date of grant, unless otherwise resolved by the Board of Directors. For purposes of the option pricing model, expected volatility is calculated based on the most recent historical period equal to the option's expected term.

The Company recognized share based compensation expense of \$15,193 for the six months ended June 30, 2021 (2020 – \$nil).

#### 2021 transactions

On April 22, 2021, the Company granted to certain employees 115,000 stock options at an exercise price of \$0.14 with an expiry date of April 22, 2026. These stock options vest immediately. The estimated fair value of these options is \$0.1321 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	169.21%
Risk-free interest rate	1.52%

# Innovotech Inc.

## Notes to Financial Statements

(Unaudited) September 30, 2021 and 2020

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Expected life of options

5 years

### 6 Net change in non-cash working capital items

	2021	
	\$	
Marketable securities	(37,300)	-
Trade and other receivable	(66,146)	25,988
Inventory	(19,866)	(21,873)
Prepaid expenses	(7,302)	(18,780)
Accounts payable and accrued liabilities	(40,830)	51,215
Deferred revenue	30,460	33,994
	<u>(140,984)</u>	<u>70,544</u>

### 7 Geographic information

Geographic information about the Company's revenue is based on the product shipment destination and, for contract research, on the location of the contracting organization.

	Three-month period ended		Nine-month period ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Canada	6,135	30,785	55,700	33,110
United States	188,636	320,577	840,487	694,884
Rest of world	41,986	28,574	129,362	83,773
	<u>236,757</u>	<u>351,476</u>	<u>1,025,549</u>	<u>811,767</u>

All of the Company's equipment and intangible assets are located in Canada.