

Innovotech Inc.

Interim Consolidated Financial Statements
(Unaudited)

**For the three and nine-month periods ended
September 30, 2024 and 2023**

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.

Consolidated Statements of Financial Position (Unaudited)

	September 30, 2024 \$	December 31, 2023 \$
Assets		
Current assets		
Cash and cash equivalents	377,144	160,521
Marketable securities	-	68,136
Trade and other receivables	243,424	214,814
Inventory	93,991	70,012
Unbilled revenue	-	16,678
Deferred project costs	-	-
Prepaid expenses	37,979	34,960
	752,538	565,121
Property and equipment	210,374	157,745
Patents	146,145	163,666
Investment	330,000	330,000
	1,439,057	1,216,532
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	124,135	135,928
Deferred revenue	92,218	-
Deferred grant	9,940	39,544
	226,293	175,472
Due to shareholder (note 4 and 8)	100,000	-
Deferred grant	42,461	42,461
	368,754	217,933
Equity		
Shareholders' equity (note 5 and 8)	1,002,303	930,599
Non-controlling interest	68,000	68,000
	1,070,303	998,599
	1,439,057	1,216,532

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

Approved by the Board of Directors

(Signed) "Craig Milne" Director

(Signed) "James Timourian" Director

Innovotech Inc.

Consolidated Statements of Changes in Equity (Unaudited)

	Notes	Share capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Equity \$	Non- controlling interest \$	Total \$
Balance - January 1, 2024		7,702,216	159,543	1,618,431	(8,549,591)	930,599	68,000	998,599
Net and comprehensive loss for the period		-	-	-	(238,318)	(238,318)	-	(238,318)
Proceeds from private placement		253,950	-	-	-	253,950	-	253,950
Stock based compensation		-	-	46,672	-	46,672	-	46,672
Shares issued on option exercise		18,701	-	(9,301)	-	9,400	-	9,400
Balance - September 30, 2024		7,974,867	159,543	1,655,802	(8,787,909)	1,002,303	68,000	1,070,303
Balance - January 1, 2023		7,695,237	159,543	1,594,737	(8,392,009)	1,057,508	-	1,057,508
Net and comprehensive loss for the period		-	-	-	(127,651)	(127,651)	-	(127,651)
							46,000	46,000
				6,570		6,570		6,570
Balance - September 30, 2023		7,695,237	159,543	1,601,307	(8,519,660)	936,427	46,000	982,427

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

Innovotech Inc.

Consolidated Statements of Operations and Comprehensive Loss (Unaudited) For the three and nine months ended September, 2024 and 2023

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>September 30, 2024 \$</u>	<u>September 30, 2023 \$</u>	<u>September 30, 2024 \$</u>	<u>September 30, 2023 \$</u>
Revenue				
Contract research fees	360,693	121,091	897,715	660,530
Product sales	68,514	53,720	162,606	180,996
Other revenue	6,864	-	88,313	-
	<u>436,071</u>	<u>174,811</u>	<u>1,148,634</u>	<u>841,526</u>
Cost of sales				
Contract research	92,365	41,914	232,105	163,922
Product sales	29,159	35,199	97,858	107,247
	<u>121,524</u>	<u>77,113</u>	<u>329,963</u>	<u>271,169</u>
Gross profit	<u>314,547</u>	<u>97,698</u>	<u>818,671</u>	<u>570,357</u>
Operating expenses				
General and administrative	351,666	250,629	993,445	703,805
Sales and marketing	8,613	8,359	25,208	23,758
Research and development	71,428	33,239	171,872	84,044
Grants	(95,860)	(69,000)	(126,207)	(69,000)
	<u>335,847</u>	<u>223,227</u>	<u>1,064,318</u>	<u>709,168</u>
Fair value adjustment on financial instruments	-	-	4,412	-
Interest expense	-	-	-	(557)
Interest income	-	7,983	2,917	11,717
Net financing (income)/expense	<u>-</u>	<u>7,983</u>	<u>7,329</u>	<u>11,160</u>
Net income (loss) and comprehensive income (loss) for the period	<u>(21,300)</u>	<u>(117,546)</u>	<u>(238,318)</u>	<u>(127,651)</u>
Basic and diluted income (loss) per common share	<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.

Consolidated Statements of Cash Flows

(Unaudited) For the nine months ended September 30, 2024 and 2023

	September 30 2024 \$	September 30 2023 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(238,318)	(127,651)
Adjustments for:		
Amortization	47,549	63,229
Loss on disposal of equipment	(222)	-
Fair value adjustment on financial instruments	(4,412)	-
Non-cash interest expense	-	557
Deferred grant	(29,604)	-
Share based compensation	46,672	-
	(203,117)	(126,294)
Net change in non-cash working capital items (note 6)	110,543	(125,722)
	(67,792)	(252,016)
Investing activities		
Purchase of equipment	(84,594)	(35,547)
Proceeds from sale of equipment	2,159	-
	(82,435)	(35,547)
Financing activities		
Lease liability repaid		(37,591)
Exercise of stock options	12,900	-
Due to shareholder	100,000	-
Proceeds from private placement	253,950	-
	366,850	(37,591)
Increase (decrease) in cash and cash equivalents	216,623	(325,154)
Cash and cash equivalents – Beginning of period	160,521	469,068
Cash and cash equivalents – End of period	377,144	143,914

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

Innovotech Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2024 and 2023

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 current products include a family of silver periodate antimicrobial compounds (InnovoSIL™ silver) for medical applications, as well as 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 Consolidated 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.

2 Basis of preparation

The Company prepares its consolidated 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 consolidated financial statements were approved by the Board of Directors for issue on November 19, 2024.

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 Due to shareholder

The amount due to a shareholder of the Company consists of a \$100,000 line of credit which is repayable on or after June 5, 2026. The amount is therefore classified as a non-current liability. The line of credit bears interest at 8% per year payable semi-annually. The line of credit is secured against the investment in common shares in a private corporation.

5 Share capital

Stock options

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

Innovotech Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2024 and 2023

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 \$14,309 for the nine months ended September 30, 2024 (2023 – \$6,570).

2024 transactions

On December 12, 2023, the Company granted to employees 40,000 stock options at an exercise price of \$0.085 with an expiry date of December 11, 2028. These stock options vested immediately. The estimated fair value of these options is \$0.0759 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	121.22%
Risk-free interest rate	3.40%
Expected life of options	5 years

On July 16, 2024, the Company granted to directors 250,000 stock options at an exercise price of \$0.20 with an expiry date of July 15, 2029. These stock options vested immediately. The estimated fair value of these options is \$0.1157 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	126.32%
Risk-free interest rate	3.35%
Expected life of options	5 years

6 Net change in non-cash working capital items

	2024	2023
	\$	\$
Marketable securities	72,548	(4,230)
Trade and other receivable	(3,828)	(52,780)
Inventory	(23,979)	(1,937)
Unbilled revenue	16,678	(12,359)
Deferred project costs	-	(20,217)
Prepaid expenses	(3,019)	4,951
Accounts payable and accrued liabilities	(11,793)	(28,933)
Deferred revenue	92,218	(10,217)
	138,825	(125,722)
Less: deposit for options exercised included in accounts receivable	(3,500)	-
	135,325	(125,722)

Innovotech Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2024 and 2023

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.

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Canada	77,984	10,115	224,820	20,197
United States	307,731	138,132	776,981	732,628
Rest of world	50,356	26,564	146,833	88,701
	<u>436,071</u>	<u>174,811</u>	<u>1,148,634</u>	<u>841,526</u>

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

8 Subsequent events

a. Acquisition of Keystone Labs Inc.

On October 19, 2024, the Company entered into a binding agreement to acquire 100% of the issued share capital of Keystone Labs Inc. ("Keystone"), a company providing a suite of analytical and microbiological services to pharmaceutical, biotechnological, medical device and natural health product industries, for a total consideration of \$600,000. The acquisition was completed on November 1, 2024, after the reporting date of these financial statements.

The acquisition is expected to open new markets for Innovotech, particularly in the pharmaceutical market space. Keystone's ability to perform contract research in regulated industries provides diversification in the Company's client base. The consideration includes up to \$516,698 via issuance of \$216,698 worth of common shares in Innovotech (\$0.13/share, 1,666,907 shares) and a performance-based cash incentive plan of up to \$300,000, which is contingent on revenue growth and positive net income targets over the next three years. The current management team will continue in their leadership roles of Keystone Labs. The period for the performance based payments is expected to start on January 1, 2025 and to continue until December 31, 2027. The shares issued as part of the purchase consideration rank pari passu with the Company's existing common shares.

The contingent consideration arrangement is subject to measurement at fair value in accordance with IFRS 3 *Business Combinations* and will be recognized as a liability in the financial statements once the probability of the performance targets being met is assessed. The fair value of the contingent consideration will be remeasured at each reporting date, with any changes recognized in profit or loss.

The initial accounting for the business combination is not yet complete as of the date these financial statements were authorized for issue. The Company is in the process of assessing the fair value of the identifiable assets acquired and liabilities assumed, including plant and equipment, identifiable intangible

Innovotech Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2024 and 2023

assets, and provisions, as well as the fair value of the contingent consideration. Provisional amounts will be disclosed once the initial accounting has been completed, as required under IFRS 3.

The acquisition, including the potential contingent consideration, will have a significant impact on the financial position and performance of the Company for the next reporting period. However, no adjustments have been made in the current financial statements as the transaction occurred after the reporting date and did not affect the conditions existing as of September 30, 2024.

Management has determined that this event does not provide further evidence of conditions that existed at the end of the reporting period and is therefore a non-adjusting subsequent event in accordance with IAS 10 *Events After the Reporting Period*.

b. Private Placement

On November 6, 2024, after the reporting date of these financial statements, the Company completed a private placement of 8,846,152 units at a price of \$0.13 per unit, raising total gross proceeds of \$1,150,000. Each unit consists of one common share and one-half of a warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.17 per share, exercisable until November 6, 2025.

The private placement was undertaken to provide additional capital for the acquisition of Keystone, including the pay out of existing shareholder loan balances of Keystone, for equipment purchases and to provide additional working capital. The shares issued as part of the placement rank pari passu with the Company's existing common shares.

The total proceeds from the private placement will be allocated between equity and warrant liabilities in accordance with IFRS. The fair value of the warrants will be determined using the Black-Scholes model, and will be recognized as a financial liability, with the residual proceeds allocated to share capital.

As the private placement occurred after the reporting date, no adjustments have been made to the current financial statements. Management has determined that this event does not provide further evidence of conditions that existed at the end of the reporting period and is therefore a non-adjusting subsequent event in accordance with IAS 10 *Events After the Reporting Period*.

c. Exercise of stock options

Subsequent to the reporting date, during October 2024, certain employees and directors of the Company exercised stock options granted under the Company's Stock Option Plan to acquire 106,342 common shares. The options were exercised at a price of \$0.10 per share, resulting in total proceeds of \$5,000 being received by the Company in respect of 50,000 options, with the remaining options being issued on a net exercise basis.

The shares issued upon exercise of the options rank pari passu with the Company's existing common shares. The exercise of these options will increase the Company's share capital and equity reserve in the next reporting period.

Innovotech Inc.

Notes to Consolidated Financial Statements

(Unaudited) September 30, 2024 and 2023

As the exercise of stock options occurred after the reporting date, no adjustments have been made to the current financial statements. Management has determined that this event does not provide further evidence of conditions that existed at the end of the reporting period and is therefore a non-adjusting subsequent event in accordance with IAS 10 *Events After the Reporting Period*.

d. Due to shareholder balance repayment

Subsequent to the reporting date, on November 8, 2024, the Company repaid the due to shareholder balance of \$100,000. The repayment of this loan will reduce the Company's liabilities in the next reporting period, but no adjustments have been made to the current financial statements as the repayment occurred after the reporting date.

Management has determined that this repayment does not provide further evidence of conditions that existed at the end of the reporting period and is therefore a non-adjusting subsequent event in accordance with IAS 10 *Events After the Reporting Period*.