

INNOVOTECH INC**Management's Discussion and Analysis of Financial Condition
and Results of Operations for the Three- and Six-months Periods Ended June 30th, 2021
(As of August 24th, 2021)**

The following Management Discussion and Analysis (MD&A) of results of operations and financial position as of June 30th, 2021, should be read in conjunction with the audited financial statements of Innovotech Inc. ("Innovotech", "we", or "the Company") for the year ended December 31, 2020, and the related notes thereto. This MD&A is provided by management using information available up to August 24th, 2021.

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 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

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OVERVIEW OF THE BUSINESS

Innovotech Inc. (the “Company”) was incorporated in 2001 under the Business Corporation Act of Alberta. The activities of the Company are sales of its products, contract research conducted for outside clients and research and development to identify future products. The Company owns, sells, and uses proprietary assay kits used in growing microbial biofilms for research purposes. The Company’s intellectual property includes a family of silver periodate antimicrobial compounds (the InnovoSIL™ family) for medical applications, and a right to acquire a linked molecule to be tested for effective subdermal antioxidant delivery. The Company is a public company listed on the TSX Venture Exchange under the trading symbol IOT. Its registered office and laboratories are in Edmonton, Alberta, Canada.

BUSINESS STRATEGY AND MARKETING

The Company has two main businesses: contract research, and the production and sale of the MBEC Assay® Kit. Innovotech has also developed a complex silver periodate anti-microbial called InnovoSIL™-1, which is the subject of an active Collaboration Agreement with a global medical implant company.

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. Innovotech has methodologies, equipment, and long experience that give it certain proprietary advantages and efficiencies. Innovotech is accredited by CALA (Canadian Association for Laboratory Accreditation Inc.) to ISO/IEC 17025 (testing accreditation number A4146 for Enumerating Bacteria – Solids and Enumerating Bacteria – Liquid). The Company designs and builds devices tailored to testing client-specific types of medical devices.

Innovotech manufactures and sells the MBEC Assay® Kit, a sort of Petri Dish for biofilms, which keeps its name in the forefront of research and medical device testing in regard to microbial biofilms as outlined above. The consistent revenues from global sales of the Kits help mitigate the volatility inherent in contract research services. The association of the Kit with its contract research services contributes to Innovotech’s contract research marketing efforts. The Company applies proprietary coatings on Kits tailored to laboratory testing requirements.

The Company has historically pursued new accounts in its contract research business on a direct contact basis using direct e-mail and telephone communication supported by personal visits and conference attendances (paused during Covid-19) to maintain and expand our clientele. These approaches have been effective as indicated by our having added new clients leading to rising revenues in 2019 and 2020. Contributing to industry awareness of Innovotech’s research capabilities is our 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. Links to these papers are available on the Company website, www.innovotech.ca/research/publications/.

Strategically, Innovotech is alert for participation in other related business activities and continues to look for opportunities to diversify its business, extend its reach and increase its revenues. This strategy is supported by the Company’s December 31st, 2020, long-term tax pools of \$7,485,000 available to reduce future net income for tax purposes.

THREE-MONTH PERFORMANCE TO JUNE 30TH, 2021 (Q2)

Second-quarter revenue of \$480,217 was 44% above prior year Q2 revenue of \$333,904. Net income in Q2 2021 increased by 45% to \$163,690 from \$112,513 in Q2 of the prior year.

Higher Q2 2021 Operating Expenses of \$226,078 vs. \$123,317 in the prior year reflected the one-time CEWS Covid-related federal grant in the prior year and a higher volume of business in the current year. Operating expenses in Q2, 2021 also included the acquisition of additional laboratory space, installation and calibration of new equipment, costs of upgrading the acquired space, and the hiring and training of two microbiologists.

Despite the disruptions consequent on the above expansion, the Innovotech team delivered strong operating results in the second quarter. The year-over-year increase in Q2 2021 net income was due to higher revenue in the current year.

THREE-MONTH FINANCIAL RESULTS OF OPERATIONS TO JUNE 30TH, 2021 (Q2)

Revenue & gross profit

Quarter	Q2 2021	Q2 2020
Contract research fees	379,499	291,881
Product sales	92,576	42,023
Other revenue	8,142	-
Gross revenue	480,217	333,904
Cost of sales	94,954	88,613
Gross profit	385,263	245,291

Operating expenses & net income

Quarter	Q2 2021	Q2 2020
General & administrative	206,684	156,686
Sales & marketing	15,139	-
Research & development (R&D)	4,255	4,164
Grants	-	(37,533)
Operating expenses	226,078	123,317
Interest income	4,505	-
Net income (loss)	163,690	121,974

SIX MONTH PERFORMANCE TO JUNE 30TH, 2021 (H1)

Summary of results:

The Company performed well in H1 of 2021. Revenues rose by 70% from \$460,291 in H1 2020 to \$788,792 in H1 of the current year. A strong improvement by any measure and a testament to the efforts and energy of our management and staff. Higher revenues led to higher net income of \$185,925 vs. \$6,676 in H1 of the prior year.

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The Company increased its physical plant and added to staff in H1, as noted above. The expansion is designed to enable the Company to accommodate and sustain the increased level of business that it has achieved. The driver of the substantial increase in net income in H1, 2021 was the significant increase in gross revenue.

SIX MONTH FINANCIAL RESULTS OF OPERATIONS TO JUNE 30th, 2021 (H1)

Revenue & gross profit

Period	H1, 2021	H1, 2020
Contract research fees	593,749	360,797
Product sales	178,612	99,494
Other revenue	16,431	-
Gross revenue	788,792	460,291
Cost of sales	175,628	146,830
Gross profit	613,164	313,461

Operating expenses & net income

Period	H1, 2021	H1,2020
General & administrative	406,734	333,895
Sales & marketing	17,974	-
Research & development	9,117	12,830
Grants	-	(40,940)
Operating expenses	433,825	305,785
Interest income (expense)	6,586	(1,000)
Net income	185,925	6,676

Events:

Effective the 13th of April, Dr. Amin Omar resigned as COO of Innovotech. The Board of Directors appointed Dr. Tyler Boone, B.Sc., Ph.D., as Chief Operating Officer of the Company to replace Dr. Omar.

Dr. Boone has been employed by Innovotech since mid 2017 when he was hired as a Microbiologist IV. He was appointed Laboratory Manager in December 2017. Dr. Boone obtained his undergraduate degree (BSc. Honors in Microbiology) in 2006 at the University of Alberta in the Department of Biological Sciences. He stayed to earn his Ph.D. at the University of Alberta's Faculty of Medical Sciences, following which, he accepted a Post Doctoral Fellowship at Loyola University in Chicago where he spent five years in laboratory work primarily in the study of spore formation. The transition of the COO office to Dr. Boone has been seamless as he knows both our clients and our business well.

On April 22nd, 2021, Dr. Boone was granted incentive stock options on 100,000 shares at \$0.14 expiring April 22nd, 2026. On April 22nd, an employee was granted a stock option on 15,000 shares. On May 13th, 631,000 existing stock options expired unexercised.

Innovotech continues to work with companies interested in applications for InnovoSIL™-1 that fall outside of the Collaboration Agreement partner's area of exclusivity. This led to the signing of two material transfer agreements in Q2.

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EBITDAS

EBITDAS, or earnings before interest, taxes, depreciation, amortization, and stock-based compensation, is not a Generally Accepted Accounting Principle (GAAP); but it is a useful measure of comparative operational performance over quarterly and annual time periods. In Innovotech's case, EBITDAS and cash flow (also not a GAAP term) are almost the same thing on account of having no debt on which interest is paid and being able to access prior year's losses to reduce net income for tax purposes.

Period	H1 2021	H1 2020
Net income (loss)	185,925	6,676
Depreciation and amortization	8,942	7,546
Loss on disposal of equipment	-	93
Non-cash interest expense		1,000
Non-cash interest income	(2,212)	
Share-based compensation	15,193	-
EBITDAS	207,848	15,315

ASSETS, LIABILITIES & SHAREHOLDER'S EQUITY

Date	June 30 th , 2021	Dec. 31 st , 2020
Current assets	864,606	752,725
Equipment	95,798	69,715
Investments	120,963	-
Total assets	1,081,367	822,440
Current liabilities	96,520	157,462
Long-term liabilities	20,000	20,000
Total liabilities	116,520	177,462
Shareholder's equity	964,846	644,978

LIQUIDITY & CAPITAL RESOURCES

Net changes to working capital in H1 reflect increased contract research and plate sales revenue with consequent higher receivables, payables, and inventory. This, accompanied by increased capital expenditures in connection with new facilities, equipment, staff, and the purchase of interest-bearing investments resulted in cash flow of \$207,848 providing an increase in cash in H1 2020 to \$576,574 from \$530,144 on December 31, 2020.

As of June 30th, 2021, the Company had working capital of \$768,086. Included in that working capital is an investment in \$25,000 face value of Rogers Sugar Inc. Series E 5% convertible debentures. From time to time the Company may make similar investments to augment the 0.004% return that it obtains on its \$450,000 bank GIC short-term investment. Innovotech has no debt excepting the \$20,000 owing under a non-interest-bearing CEBA federal government loan, which is intended to be repaid prior to December 31st, 2022. The Company is adequately funded to maintain its business and to meet its obligations in the ordinary course as they come due.

OUTLOOK

Innovotech is unable to accurately gauge the longer-term effects of the COVID-19 pandemic on operations of the company. However, the Company has stayed fully operational during the pandemic and will use its best efforts to continue to do so. See “Covid-19 risk” under Risk Management.

The improvement in 2021 H1 revenues, net income, and balance sheet liquidity was gratifying to see. Innovotech expects the 20% annual revenue growth trend recorded over the last two years to remain intact through 2021. We remind shareholders that there is volatility inherent in contract research work. This volatility is evident in the comparative tables provided above and below. Our revenue trend can vary materially on a quarterly basis.

The Company intends to resume research and product development as outlined in “Developments Subsequent to June 30th, 2021”, below.

The Company will, however, maintain its focus on growing its revenues while being alert to opportunities to expand the business through acquisition.

SELECTED QUARTERLY FINANCIAL INFORMATION

2021	Q2, 2021	Q1, 2021
	\$	\$
Gross revenue	480,217	308,575
Net income	163,690	22,235
Income per share	0.004	0.0006
Assets	1,081,367	964,144
Liabilities	116,520	178,181
Shareholder’s equity	964,847	785,963

2020	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020
	\$	\$	\$	\$
Gross revenue	381,615	351,476	333,904	126,387
Net income (loss)	6,423	93,218	121,974	(115,298)
Income (loss) per share	0.0002	0.002	0.003	(0.003)
Assets	822,440	878,107	379,109	238,882
Liabilities	177,462	302,004	266,596	256,093
Shareholder’s equity	644,978	576,103	112,513	(17,211)

2019	Q4, 2019	Q3,2019	Q2,2019	Q1,2019
	\$	\$	\$	\$
Gross revenue	228,706	248,884	286,614	222,021
Net income (loss)	(44,412)	15,200	(5,031)	(14,518)
Income (loss) per share	(0.001)	0.0004	(0.0001)	(0.0004)
Assets	274,882	275,003	242,660	271,682
Liabilities	176,795	180,111	166,939	190,931
Shareholder’s equity	98,087	94,892	75,721	80,751

DEVELOPMENTS SUBSEQUENT TO JUNE 30TH, 2021

Appointment of Dr. Patricia Nadworny as Chief Science Officer to lead research and development

Innovotech has made a second appointment of an officer to our management suite this year: the Board of Directors has appointed Dr. Patricia Nadworny, B. Sc., Ph.D., P.Eng., as Chief Scientific Officer. Dr. Nadworny has been with Innovotech since early 2010, when she was hired as a Research Associate. She was appointed Product Development Manager in 2012, and Quality and Safety Director in 2019. Dr. Nadworny obtained her undergraduate degree (BSc. Chemical Engineering with distinction, first in class) in 2004 at the University of Alberta in the Department of Chemical & Materials Engineering. She stayed to earn her Ph.D. in Chemical & Materials Engineering and Biomedical Engineering at the University of Alberta's Faculties of Engineering and Medicine and Dentistry, respectively, with a focus on biological activity of nanostructured silver. In her new position, Dr. Nadworny will continue to oversee quality assurance and safety operations at the laboratory level reporting to Dr. James Timourian, Innovotech's president. Mainly however, Dr. Nadworny will be responsible for our reinitiated R&D activities.

Research and product development (R&D)

Innovotech will resume R&D as an operating component of the business in a measured manner beginning in the 4th quarter of 2021. We have a short-list of product-focused R&D work. We have continuing work to do on the Nou Life patent, and we have an extensive knowledge base regarding the InnovoSIL™ family of anti-microbials that we believe we can develop for novel applications.

Scientific R&D costs are expensed as incurred. Innovotech understands that R&D expenditures can have a negative effect on net income from operations. The Company fully intends to remain profitable and to that end will be disciplined regarding the funds allocated and will work to leverage its R&D costs through government grants or industry joint venture participation.

ABOUT CANBIOCIN INC

The Company owns a \$150,000 CanBiocin 8% debenture convertible into 120,000 shares of CanBiocin common stock at \$1.25 per share.

CanBiocin is a global leader in species-specific companion animal and livestock probiotic development. With a mission to build health from the inside out, the company targets overall microbiome health to support all animal body systems and functions. CanBiocin began as a University of Alberta spin-off company and first commercialized Micocin®, a probiotic metabolite used to inhibit the growth of *Listeria monocytogenes* in processed meat products and that may have beneficial application in livestock feed.

Today, its premium canine and other pet probiotic lines help global pet food manufacturers fill their customers' need to care for their pets as integral members of their families deserving of the same attention and investment in their health and wellness. CanBiocin has a growing number of customers in North America, as well as internationally, and can be found online at www.canbiocin.ca.

ABOUT NOU LIFE SCIENCES INC.

The Company has the right but not the obligation to earn a 60% interest in the issued capital of Nou Life Sciences Inc by spending \$100,000 prior to August 2022 on development of the Nou Life patent.

The Nou Life patent rests on the linking of alpha-lipoic acid and L-carnitine into one molecule. Lipoic acid and Carnitine are well known antioxidants that have applications in health care related to skin products. The linking of the two molecules has been indicated by Nou Life to increase the beneficial properties of the separate molecules by improving their transdermal penetration, which is necessary in order to perform subdermal antioxidant activity toward a healthier skin. The objective of the earn-in Agreement is to confirm performance of the linked molecules toward a more effective antioxidant in skincare applications. Innovotech's research and testing of the linked molecules will seek to confirm that they improve function in skin treatment sufficiently to encourage their use in nutraceutical and cosmetic applications. Innovotech will also investigate the indicated extent of the molecule's skin penetration in anticipation of a positive effect on nerve cell reinvigoration for treatment of neuropathy.

The Company is continuing work to establish a linking of the molecules using a contract chemistry laboratory in Edmonton. The nature of the transaction enables the Company to tightly control the pace and extent of its investment in a manner that reduces the inherent risk in developing new technology.

CONTRACTUAL OBLIGATIONS

Innovotech records long-term debt of \$20,000 on its March 31st balance sheet being the remainder payable of the Canada Emergency Business Account loan. The CEBA loan is non-interest-bearing until December 31st, 2022, before which time it is the Company's intention to repay it.

OUTSTANDING SHARE CAPITAL

As at the date of this MD&A, there are 38,909,612 Class A common shares issued out of an unlimited number of Class A voting shares.

OUTSTANDING STOCK OPTIONS

Issuance of 115,000 of incentive stock options and the forfeiture of 631,000 of such options, resulted in 1,670,000 incentive stock options outstanding as of the date of this MD&A.

GEOGRAPHIC SALES INFORMATION

	Three-month period ended		Six-month period ended	
	June 30 th 2021 \$	June 30 th 2020 \$	June 30 th 2021 \$	June 30 th 2020 \$
Canada	24,525	18,729	49,565	30,785
United States	418,710	287,923	651,851	374,307
Rest of World	<u>36,982</u>	<u>27,242</u>	<u>87,376</u>	<u>55,199</u>
	<u>480,217</u>	<u>333,904</u>	<u>788,792</u>	<u>460,291</u>

RISK MANAGEMENT

Innovotech recognizes 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.

Currency risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's reporting currency is the Canadian dollar, and it incurs costs primarily in that currency. It realizes its revenues primarily in US dollars. A rising Canadian dollar in US dollar terms would lead to a decrease in the Company's revenue all other things being equal. The Company does not use derivative instruments to hedge its exposure to foreign currency risk.

Credit risk:

The Company is exposed to credit risk through its cash and accounts receivable.

The Company's principal credit risk is the risk that a counterparty will fail to discharge its financial obligation in payment for the Company's services. The Company endeavors to mitigate credit risk to ½ its contract research revenues as it requires that 50% of the estimated cost of its contracts be paid prior to beginning work on a contract. We do not insure our credit risks.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

We manage accounts payable against accounts receivable and carry a balance of cash to accommodate that. Innovotech's planned 2021 operational expenditures do not exceed its committed sources of funds and are manageable against the Company's expected revenues and expenses. As of June 30th, 2021, our current assets were \$864,606, our current liabilities were \$96,520 providing a working capital balance of \$768,086.

COVID-19 risk:

In addition to the above financial risks, Innovotech is aware of risks attached to the COVID-19 pandemic. The COVID-19 outbreak has forced many businesses to close, leading to an unprecedented disruption of business in many sectors. Innovotech has put in place risk mitigation measures to separate people from each other through physical distancing including physical barriers. Innovotech requires that employees stay at home if feeling ill with possible symptoms of COVID-19 until criteria to discontinue isolation have been met. In addition, we have posted highly visible signage to discourage employees/clients from entering the workplace unless they feel well. In addition to wearing medical masks in the workplace, management has provided increased access to hand sanitizer dispensers and established increased environmental cleaning and disinfecting protocols for employees' work environments.

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SIGNIFICANT ESTIMATES & 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, 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, 2020.

End