

## INNOVOTECH INC

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for the 4<sup>th</sup> Quarter and Year Ended December 31<sup>st</sup>, 2020 (as of April 20<sup>th</sup>, 2021)**

*The following Management Discussion and Analysis (MD&A) of results of operations and financial position as of December 31<sup>st</sup>, 2020 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 April 20<sup>th</sup>, 2021.*

*Management is responsible for the information contained in this 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](http://www.sedar.com), or at [www.innovotech.ca](http://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.

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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 customers, and research and development to identify products for future commercialization. The Company’s intellectual property includes a family of silver periodate antimicrobial compounds (InnovoSIL™) for medical applications, and a right to acquire a linked molecule being tested for effective subdermal antioxidant delivery. The Company owns, sells, and uses proprietary assays used in growing microbial biofilms for research purposes. The Company is a public company listed on the TSX Venture Exchange. 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 and is working to gain exposure to more consumer-focused biotech products and businesses.

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 (see “About the new BEST<sup>plus</sup> Assay™” below).

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. In 2021, the Company seeks to extend the reach of the Kits into agribusiness laboratories based on proprietary coatings of the Kits for that purpose.

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 and experienced rising revenues in 2019 and 2020. In 2021, we have budgeted to widen our exposure to potential new accounts.

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, <https://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 \$7,485,000 of long-term tax pools available to reduce future net income for tax purposes.

## **OVERALL PERFORMANCE 2020 FISCAL YEAR TO DECEMBER 31**

The Company's 2020 annual revenues rose by 21% to \$1,193,382 from \$986,225 in the 2019 year. The increase in revenues provided a net income for the year of \$106,317 versus a net loss of \$48,761 in the prior year. Cash provided by operating activities rose to \$175,998 from \$23,902.

The 2020 year began with first quarter ("Q1") revenues declining to \$126,387 from \$222,706 in Q1 of 2019 due to the Covid-19 pandemic, generating a net loss of \$115,298. Revenues rose strongly in subsequent quarters and generated the above-noted 2020 net income. The 21% increase in revenues is consistent with the revenue trend established in 2019, which itself trended 20% higher than the 2018 year.

The 2020 year was eventful. Highlights include:

### InnovoSIL™-1 Research Agreement

On July 14<sup>th</sup>, 2020, Innovotech announced a Collaboration Agreement on InnovoSIL™-1 our complex silver-periodate compound, with a global medical device company. The Agreement provides for research targeted at advancing InnovoSIL™-1 toward commercial application in medical devices. Quarterly payments receivable under the Agreement contribute to our income. R&D and patent costs are now largely for our partner in the Agreement. We have delivered our second batch of product to our partner and the partner funded R&D on InnovoSIL™-1 continues.

### Earn-in Acquisition Right

On August 17<sup>th</sup>, 2020, the Company acquired the right (but not the obligation) to earn a 60% interest in Nou Life Sciences Inc whose assets consist of a patent on the linking of alpha lipoic acid and L-carnitine into one molecule toward improved penetration of human skin to obtain deeper delivery of these two anti-oxidants. To close acquisition of the 60% interest Innovotech must provide \$100,000 in R&D costs over 2 years. This transaction is part of a plan to see Innovotech access early beach heads to develop or participate in products that may be applicable to consumer markets that are inherently larger than our contract research business. See "About Nou Life Sciences Inc.", below.

### Financing – Unit Private Placement

On September 2<sup>nd</sup>, 2020 Innovotech received final approval from the TSX Venture Exchange for the closing of a private placement. At the close, Innovotech raised \$375,000 through the issuance of 1,875,000 units at a price of 20 cents per unit. Each unit was comprised of one common share and one-half common share purchase warrant. One whole warrant entitles the holder to purchase one additional common share at a price of 25 cents for a period of three years following the date of closing. This financing has combined with 2020 profitability to strengthen Innovotech's balance sheet.

### Operations Events

On September 24<sup>th</sup>, 2020, management and staff of Innovotech reached 100,000 laboratory hours without a single lost time accident.

There were no findings during Innovotech's most recent audit by CALA in October 2020

### Repayment of Debt

Payments made on October 8<sup>th</sup> and November 7<sup>th</sup>, 2020 reduced the Canada Emergency Business Account (CEBA) term loan balance by \$10,000 to \$20,000 if repaid prior to Dec 31, 2022, which is intended. On October 16<sup>th</sup>, 2020, Innovotech announced early repayment of a \$100,000 6% shareholder loan owing to Lonsdale Capital Corporation (Lonsdale), a related party. Other than the \$20,000 interest free CEBA balance the Company has no formal debt outstanding as of the date of this MD&A.

### Acquisition of a Minority Interest in CanBiocin Inc

On October 16<sup>th</sup>, 2020, the Company agreed to acquire at par value a \$150,000 8% convertible debenture issued by and convertible into 120,000 shares of CanBiocin Inc at \$1.25. The debenture is being acquired from Lonsdale Capital Corporation, a related party. Payment for the debenture will be by way of the issuance to Lonsdale of 625,000 Innovotech treasury shares at \$0.24. Closing of the transaction was an event subsequent to the Company's year end and occurred on February 19<sup>th</sup>, 2021. This transaction is part of a plan to see Innovotech access early beach heads to develop or participate in products that may be applicable to consumer markets that are inherently larger than our contract research business. See "About CanBiocin Inc.", below.

### **THREE-MONTH (Q4) FINANCIAL RESULTS TO DECEMBER 31<sup>st</sup>, 2020**

Revenue of \$381,615 in Q4 increased by 67% over the \$228,706 generated in Q4 of 2019. Contract research revenues in Q4 increased to \$293,892 versus \$162,741 in the comparable period of the prior year. Royalty revenue added \$8,686 in connection with the 2020 InnoSIL™-1 Collaboration Agreement. We believe the increase in contract research revenues was due to the 2018-20 emphasis on client contact and the resulting increase in clients serviced. This work was supported by innovations in test design, and ISO 17025 quality control certification.

MBEC Assay® plate sales in Q4 were \$79,037 versus \$65,965 in the prior year. The higher Q4 2020 plate sales reflect the opening up of commercial and university laboratories and possible laboratory inventory restocking following the initial shock and impact of the COVID-19 pandemic and lockdowns.

Expenses rose sharply in Q4 to \$271,809 from \$209,425 in the prior year primarily due to a significant increase in legal and regulatory fees in line with the increase in transactional events listed above. Stock-based compensation expense of \$61,652 was also incurred in the quarter. The \$100,000 6% shareholder loan was repaid in full on October 30<sup>th</sup>, which explains the reduced interest expense for the quarter. The 67% increase in revenue was the principal factor in converting the 2019 Q4 loss to the 2020 Q4 profit.

### Q4 2020 and comparative Q4 2019 financial results

	<b>Q4 2020</b>	<b>Q4 2019</b>
Gross revenue	381,615	228,706
Cost of sales	102,883	62,193
<b>Gross profit</b>	<b>278,732</b>	<b>166,513</b>
Expenses	271,809	209,425
Interest expense	500	1,500
<b>Net income (loss)</b>	<b>6,423</b>	<b>(44,412)</b>

## TWELVE- MONTH FINANCIAL RESULTS TO DECEMBER 31<sup>ST</sup>, 2020

The 2020 year began with Q1 negatively impacted by the COVID-19 pandemic resulting in a loss of \$115,298. Q2 and Q3 recorded significantly better results based on higher contract research volumes and a \$37,533 Canada Emergency Wage Subsidy grant (CEWS) to turn the Q1 net loss to a nine-month net profit of \$99,894. Q4 continued the revenue trend, however higher G&A expenses muted Q4 profitability such that Innovotech reported a profit for the year of \$106,317.

Components of the higher G&A costs were a significant increase in legal costs reflecting the higher level of corporate activity, general costs consistent with the higher level of business activity, stock-based compensation costs of \$61,652 plus a foreign exchange loss of \$9,987.

Operations over the 2020 year generated a 21% revenue increase to \$1,193,382 versus revenues of \$986,225 in the 2019 year and net income of \$106,317 versus a net loss of \$48,761 in the 2019 year. Operating activities generated cash of \$175,998, which, combined with the \$375,000 financing described above had the effect of significantly improving Innovotech's balance sheet. The revenue and cash flow increases reflect innovation, effective old and new client contact, the benefits of ISO certification, and competent lab management and staff operations as evidenced by the 100,000 hour no-lost-time event reported above.

Three year summary of 12-Month revenue & gross profit:

	12 MO. 2020	12 MO. 2019	12 MO. 2018
Contract research fees	928,862	693,612	579,472
Product sales	247,002	292,613	247,463
Other	17,518	-	-
<b>Gross revenue</b>	<b>1,193,382</b>	<b>986,225</b>	<b>826,935</b>
Cost of sales	326,508	291,112	220,614
<b>Gross profit</b>	<b>866,874</b>	<b>695,113</b>	<b>606,321</b>

Operating expenses and net income (loss)

	12 MO. 2020	12 MO. 2019	12 MO. 2018
General & administrative	760,262	714,450	696,447
Bad debt expense	-	22,873	-
Sales & marketing	275	3,723	1,035
Research & development	47,960	23,421	39,129
Grants	(40,940)	(26,593)	-
Scientific Research Tax Credits	-	-	(3,303)
<b>Total operating expenses</b>	<b>767,557</b>	<b>737,874</b>	<b>733,308</b>
Interest expense	3,000	6,000	647
Term loan forgiveness	(10,000)	-	-
<b>Net profit (loss)</b>	<b>106,317</b>	<b>(48,761)</b>	<b>(127,634)</b>

### 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. EBITDAS for the 2020 year of \$178,998 improved substantially over that of the prior year. In Innovotech's case, EBITDAS is much the same as cash from operations for the period with the exception of \$3,000 of interest paid on since extinguished debt.

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	12 MO. 2020	12 MO. 2019
Net income (loss)	106,317	(48,761)
Depreciation	17,937	13,285
Loss (gain) on disposal of equipment	92	-
Interest	3,000	6,000
Stock-based compensation	61,652	53,378
Term loan forgiveness	(10,000)	-
<b>EBITDAS</b>	<b>178,998</b>	<b>23,902</b>

## ASSETS, LIABILITIES & SHAREHOLDER'S EQUITY

Events in 2020 combined to materially improve Innovotech's balance sheet as illustrated by the chart below.

Twelve-month revenue of \$1,193,382 generated cash from operations of \$175,998. Net changes to working capital used cash of \$13,760. Capital expenditures were \$37,687. Financing activities, net of debt repayment of \$100,000, generated \$305,922 principally derived from the \$375,000 private placement to provide for an increase in current assets to \$752,725. Working capital rose to \$595,263 compared to \$148,030 as of December 31<sup>st</sup>, 2019.

	Dec 31, 2020	Dec. 31, 2019
Current assets	752,725	224,825
Equipment & other	69,715	50,057
<b>Total assets</b>	<b>822,440</b>	<b>274,882</b>
Current liabilities	157,462	76,795
Long-term liabilities	20,000	100,000
<b>Total liabilities</b>	<b>177,462</b>	<b>176,795</b>
<b>Shareholder's equity</b>	<b>644,978</b>	<b>98,087</b>

## LIQUIDITY & CAPITAL RESOURCES

Innovotech has a history of frequent quarterly and annual losses caused in part by high levels of expensed R&D and G&A costs. The Company has, in the past, funded its operations primarily from equity financing, shareholder loans, and government grants and loans. The Company has been working to change this financial pattern and made progress toward that end in the 2021 year given the \$175,998 earned from operations.

During 2020, working capital rose to \$595,263. Long-term liabilities fell by \$80,000 to \$20,000 of non-interest bearing CEBA debt assuming it is repaid prior to December 31, 2022. Shareholder's equity increased to \$644,978 from \$98,087, and cash increased to \$530,144 from \$96,671.

The Company's liquidity is sufficient to manage its business and meet its obligations as they come due.

## OUTLOOK

Innovotech continues to be unable to accurately gauge the longer-term effects of the COVID-19 pandemic on the 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.

Innovotech’s vision of contracts ahead is improving. Our vision now extends out 90 to 150 days. We caution that contracts can be postponed from time-to-time and are cancellable until signed. However, management has added new customers and new business. The effect of that has been seen in the 2018 to 2020 trend of rising revenues. While past performance does not predict future results, Innovotech anticipates that the trend of increasing revenues since 2018 will continue through 2021.

The Company’s attention will continue to focus on growing revenues internally from our current business while being alert to opportunities to expand that business through external asset and income-focused acquisitions in the 2021 year.

## DEVELOPMENTS SUBSEQUENT TO DECEMBER 31<sup>st</sup>, 2020

### Nou Life Sciences Inc. acquired interest

On January 18<sup>th</sup>, 2021, the Company closed an earn-in agreement to acquire the right, but not the obligation, to earn a 60% undivided equity interest in Nou Life Sciences Inc in return for completing an investment of \$100,000 in development expenses in Nou Life's patented skin treatment technology.

The transaction allows Innovotech to take up to two years to evaluate the technology, which rests on the linking of alpha lipoic acid and L-carnitine. Both are well-known anti-oxidants that have applications in health care. Linked into one molecule, it is postulated that they may carry their anti-oxidant benefits more deeply to subdermal cells than is the case with current technology in skin care (see below for more about Nou Life Sciences Inc.). This agreement is part of a plan to see Innovotech increasingly involved and invested in larger consumer markets than our contract research business contemplates.

### CanBiocin Inc. acquired interest

On February 19<sup>th</sup>, 2021, the Company closed the acquisition of a \$150,000 8% debenture of CanBiocin Inc., which is convertible into 120,000 CanBiocin shares. CanBiocin is a private Edmonton, Alberta, company incorporated in 1998. Payment was by way of 625,000 Innovotech common shares issued at a value of \$0.24, the closing price on the TSX-V on the 15<sup>th</sup> of October 2020, which was the date on which the transaction was agreed. The debenture was acquired from Lonsdale Capital Corporation (“Lonsdale”), a significant shareholder of both Innovotech and CanBiocin. CanBiocin is demonstrating strong growth in orders for its multiple lines of companion animal and farm animal probiotics. The transaction was subjected to protracted regulatory approval, which was subject to the related party exemptions contained in Multilateral Instrument 61-101. This acquisition is part of a plan to see Innovotech increasingly involved and invested in larger consumer markets than our contract research business contemplates. In addition to achieving exposure to that objective, the transaction adds \$12,000 of annual interest income (see below for more about CanBiocin Inc.).

### Retirement of Chief Operating Officer (“COO”)

On April 13<sup>th</sup>, 2021, Dr. Amin Omar formally retired from his long-held position as COO of the Company. Dr. Omar has been an effective constant with the Company especially during the past three years of our pivot away from R&D to our focus on revenues and profitability. Although we will miss him, we will not lose him entirely as we intend to retain him as an advisor to assist in transitioning the COO office and in a consulting capacity.

### Appointment of Chief Operating Officer

The Board of Directors of the Company has appointed Dr. Tyler Boone to the position of COO effective April 13<sup>th</sup>, 2021. Through this internal appointment we expect that the transition of the COO office to Dr. Boone will be completely seamless as he knows both our clients and our business well. Dr. Boone has been with Innovotech since mid 2017 when he was hired as a Microbiologist IV. He was appointed Laboratory Manager in December 2017 at which position he excelled. Dr. Boone obtained his undergraduate degree (BSc. Honors in Microbiology) in 2006 at the University of Alberta in the Department of Biological Sciences. He earned his PhD 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 of study with a focus on spore formation.

## SUMMARY OF QUARTERLY RESULTS

Quarter	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross revenue	381,615	351,476	333,904	126,387	228,706	248,884	286,614	222,021
Cost of Sales	102,883	76,795	88,613	58,217	62,193	71,338	88,491	69,090
<b>Gross profit</b>	<b>278,732</b>	<b>274,681</b>	<b>245,291</b>	<b>68,170</b>	<b>166,513</b>	<b>177,546</b>	<b>198,123</b>	<b>152,931</b>
Expenses	272,309	181,463	123,317	183,468	210,925	160,847	203,154	167,449
<b>Net income (loss)</b>	<b>6,423</b>	<b>93,218</b>	<b>121,974</b>	<b>(115,298)</b>	<b>(44,412)</b>	<b>15,200</b>	<b>(5,031)</b>	<b>(14,518)</b>
<b>Net income (loss) per share</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>\$0.00</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>

## ABOUT INNOVOSIL™-1

Innovotech has financed and completed intensive R&D on the development and application of silver periodate compounds over past years. In terms of the antimicrobial and physicochemical properties of the resulting products, the work has been successful.

InnoSIL™-1 is a silver-based antimicrobial compound protected by patents granted in both the USA and Europe. It has the unique feature that the silver component is not rapidly inactivated by components of bodily fluids. The July 2020 Collaboration Agreement with a global medical implant company finances the continuing R&D that is intended to advance InnoSIL™-1 toward commercial development.

Pursuant to the Agreement we have, in 2020, filed and received European patent validation in Germany, France, Denmark, Hungary, Ireland, Italy, Lithuania, Netherlands, Spain, Sweden, and Great Britain. We have also filed a divisional patent application in Europe.

## **ABOUT THE NEW BEST<sup>plus</sup> ASSAY™**

The Company filed for a patent on its BEST<sup>plus</sup> Assay™ invention. U.S. Provisional Patent Application No. 62/977,953 was filed on Feb 18<sup>th</sup>, 2020. We believe that this device enhances our competitive position in our industry. There is no single *in vitro* testing method that fits all medical devices since they are so diverse and have so many applications and specific clinical uses. Therefore, there is an ongoing need to develop and refine *in vitro* testing assays to improve their clinical relevance for each device.

Methods of testing that allow for bridging between *in vitro* testing and animal studies are important, practical, and economical for the medical device manufacturer. Such positive and representative outcomes give more confidence in the device and its performance in future clinical settings and reduce the amount of *in vivo* testing required.

The BEST<sup>plus</sup> Assay™ is a high throughput *in vitro* platform that allows for easy access to every lumen of a catheter or stent for preconditioning, rinse, microbial challenge, and microbial recovery while allowing for simultaneous procedures on the extraluminal space. The configuration allows for the use of one single catheter to create, for example, a triplicate set for data analysis by using multiple lock mechanisms around the looped device. Not only is this assay clinically more relevant, but it is also more economical as it requires fewer samples to run antimicrobial validation testing for both surfaces as well as reduced labour hours.

## **ABOUT NOU LIFE SCIENCES INC.**

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 skin care 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 applications toward nerve cell reinvigoration for treatment of neuropathy.

## **ABOUT CANBIOCIN INC.**

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 which may have beneficial application in livestock feed. Today, CanBiocin's 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. With the early 2020 acquisition of Pure Cultures Inc of Denver, Colorado, USA, CanBiocin added livestock probiotics, including, particularly, avian probiotics, to its product line. CanBiocin can be found online at [www.canbiocin.ca](http://www.canbiocin.ca).

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## CONTRACTUAL OBLIGATIONS

Innovotech records a \$20,000 term loan accessed through the Canada Emergency Business Account (CEBA). The CEBA loan is non-interest-bearing until December 31<sup>st</sup>, 2022. \$10,000 of the principal amount will be forgiven if paid before that date. Because we intend to pay off the CEBA loan prior to December 31<sup>st</sup>, 2022 we carry it at \$20,000 on our balance sheet. The 6% note for \$100,000 owing to a shareholder was repaid in full on October 30<sup>th</sup>, 2020.

## SUMMARY OF INNOVOTECH SHARES ISSUED FROM TREASURY DURING 2020

### Issued through stock option exercise

170,000 shares were issued under directors and employee stock option plans in return for \$12,800.

	\$
85,000 shares at \$0.05	4,250
10,000 shares at \$0.08	800
50,000 shares at \$0.10	5,000
25,000 shares at \$0.11	2,750

### Issued through a private placement for cash

1,875,000 shares were issued in connection with the private placement of 1,875,000 units described above comprised of one share and ½ warrant, being 937,500 warrants exercisable at \$0.25 per share until September 2<sup>nd</sup>, 2023.

	\$
1,875,000 shares at \$0.20	375,000

## SUMMARY OF SHARES ISSUED SUBSEQUENT TO DECEMBER 31, 2021

On February 19<sup>th</sup>, 2021, the Company closed the acquisition of a \$150,000 8% convertible debenture of CanBiocin Inc for consideration of 625,000 treasury shares of the Company issued at a \$0.24 per share as described earlier in this MD&A (see Related Party Transactions).

## OUTSTANDING SHARE CAPITAL AS AT THE DATE OF THIS MD&A

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. There are as of the date of this MD&A, incentive stock options outstanding in the amount of 2,186,000.

## GEOGRAPHIC SALES INFORMATION

	Twelve months ended	
	Dec. 31, 2020	Dec. 31, 2019
	\$	\$
Canada	35,451	90,535
United States	1,106,582	709,817
Rest of World	141,348	185,873
	1,193,381	986,225

## RELATED PARTY TRANSACTIONS

Lonsdale Capital Corporation (Lonsdale) is a related party by virtue of owning a 34% interest in the Company. Lonsdale participated in the 1,875,000-share unit offering that closed September 2<sup>nd</sup>, 2020 acquiring 528,000 units comprised of 528,000 shares and 264,000 share purchase warrants.

On October 16<sup>th</sup>, 2020, the Company agreed to acquire a \$150,000 8% convertible debenture of CanBiocin Inc for \$150,000 from Lonsdale payable by the issuance of 625,000 shares of Innovotech at \$0.24. The transaction closed subsequent to the year end on February 19<sup>th</sup>, 2021.

David S. Tam is a related party by virtue of being a director and shareholder of the Company. Mr. Tam is also the Company's legal counsel. In that capacity, the Company paid Mr. Tam's firm, Parlee McLaws LLP \$133,823 for legal assistance and regulatory matters during the 2020 year.

David S. Tam is also a director and shareholder of Nou Life Sciences Inc. with which company the Company entered into an earn-in agreement on August 17<sup>th</sup>, 2020 described elsewhere in this MD&A.

Bernard Grobbelaar is a related party by virtue of being a director of the Company. Mr. Grobbelaar is also the Company's accountant. In that capacity, Mr. Grobbelaar was paid professional fees of \$54,500 during the 2020 year.

Dr. Amin Omar was Chief Operating Officer of the Company in 2020. In that capacity he received \$130,000 of consideration by way of salary.

Dr. James G Timourian is President of the Company. In that capacity he received \$13,500 of consideration by way of consulting fees.

## 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. The Company attempts to maximize return to shareholders by minimizing shareholder dilution in a manner consistent with maintaining adequate working capital, equipment, facilities and access to opportunities with which to conduct its 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 2020 operational expenditures do not exceed its committed sources of funds and are manageable against the Company's expected revenues. On December 31<sup>st</sup>, 2020, our current assets were \$752,725. Our current liabilities were \$157,462. Innovotech's working capital was \$595,263.

**COVID-19 risk:**

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 will have a significant, negative effect on the economy of all nations, for an uncertain period of time. The ability of the Company to carry on normal business activities and to otherwise meet its obligations to creditors and others is also uncertain.

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.

**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

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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