

Innovotech Inc.

Interim Financial Statements
(Unaudited)

**For the three-month period ended
March 31, 2019 and 2018**

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)

	March 31, 2019	December 31, 2018
	\$	\$
Assets		
<i>Current assets</i>		
Cash and cash equivalents	16,760	28,808
Trade and other receivables	153,022	147,791
Inventory	26,566	28,148
Unbilled revenue	5,878	-
Prepaid expenses	9,781	6,678
	<u>212,007</u>	<u>211,425</u>
Equipment	<u>59,675</u>	<u>60,905</u>
	<u>271,682</u>	<u>272,330</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	90,931	78,860
Due to shareholder (note 9)	100,000	100,000
	<u>190,931</u>	<u>178,860</u>
Shareholders' Deficiency		
Share capital (note 4(a))	7,344,818	7,344,818
Contributed surplus	1,430,636	1,428,836
Deficit	<u>(8,694,703)</u>	<u>(8,680,184)</u>
	<u>80,751</u>	<u>93,470</u>
	<u>271,682</u>	<u>272,330</u>
Going Concern (note 1)		

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

Approved by the Board of Directors

(Signed) "Bernard Grobbelaar" Director

(Signed) "James Timourian" Director

Innovotech Inc.

Statements of Changes in Shareholder's Deficiency (Unaudited)

	Share capital \$	Warrants \$	Shares to be issued \$	Contributed surplus \$	Deficit \$	Total \$
Balance – January 1, 2019	7,344,818	-	-	1,428,836	(8,680,184)	93,470
Net and comprehensive loss for the period	-	-	-	-	(14,518)	(14,518)
Share based compensation	-	-	-	1,800	-	1,800
Balance – March 31, 2019	<u>7,344,818</u>	<u>-</u>	<u>-</u>	<u>1,430,636</u>	<u>(8,694,702)</u>	<u>80,752</u>
Balance – January 1, 2018	6,992,335	-	352,483	1,389,240	(8,552,550)	181,508
Net and comprehensive loss for the period	-	-	-	-	(42,398)	(42,398)
Warrants expired	-	-	-	-	-	-
Balance – March 31, 2018	<u>6,992,335</u>	<u>-</u>	<u>352,483</u>	<u>1,389,240</u>	<u>(8,594,948)</u>	<u>139,110</u>

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

Innovotech Inc.

Statements of Operations and Comprehensive Income (Loss) (Unaudited) For the three-months ended March 31, 2019 and 2018

	2019 \$	2018 \$
Revenue		
Contract research fees	149,448	162,119
Product sales	72,573	53,677
	<u>222,021</u>	<u>215,796</u>
Cost of sales		
Contract research	35,426	40,723
Product sales	33,664	23,689
	<u>69,090</u>	<u>64,412</u>
Gross profit	<u>152,931</u>	<u>151,384</u>
Operating expenses		
General and administrative	161,471	210,280
Sales and marketing	-	85
Research and development	4,477	17,546
	<u>165,948</u>	<u>227,911</u>
Interest expense	<u>1,501</u>	<u>-</u>
Net loss and comprehensive loss for the period	<u>(14,518)</u>	<u>(76,527)</u>
		\$
Basic and diluted loss per common share	<u>(0.00)</u>	<u>(0.00)</u>
	#	#
Weighted average number of common shares outstanding for the period	<u>35,623,174</u>	<u>33,739,612</u>

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

Innovotech Inc.

Statements of Cash Flows

(Unaudited) For the three-months ended March 31, 2019 and 2018

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(14,518)	(76,527)
Adjustments for:		
Amortization	2,659	3,098
Loss on disposal of equipment	-	1,296
Interest expense	1,501	-
Share based compensation (note 4(b))	1,800	34,129
	<u>(8,558)</u>	<u>(38,004)</u>
Net change in non-cash working capital items (note 5)	<u>(559)</u>	<u>(58,438)</u>
	<u>(9,117)</u>	<u>(96,442)</u>
Investing activities		
Purchase of equipment	<u>(1,430)</u>	-
Financing activities		
Due to shareholders repayment	-	(105,000)
Interest paid	<u>(1,501)</u>	-
	<u>(1,501)</u>	<u>(105,000)</u>
Decrease in cash and cash equivalents	(12,048)	(201,442)
Cash and cash equivalents – Beginning of period	<u>28,808</u>	<u>324,552</u>
Cash and cash equivalents – End of period	<u>16,760</u>	<u>123,080</u>

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

Innovotech Inc.

Notes to Financial Statements

(Unaudited) March 31, 2019 and 2018

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 human and veterinary biofilm susceptibility tests, a seed treatment designed to combat both bacterial and fungal diseases, and 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.

Since inception, the Company has focussed on product research, development, and more recently on commercialization activities. These efforts have been sustained by issuing share capital, obtaining grants and other government assistance, and generating revenue from the Company's contract research business and sale of products. The Company realized net loss of \$14,518 (2018 – \$76,527), generated operating cash outflows of \$9,117 (2018 – \$96,442) for the three-month period ended March 31, 2019, working capital of \$21,076 (2018 – \$75,252) and accumulated deficit of \$8,694,703 at March 31, 2019 (2018 – \$8,629,078). The Company's planned level of expenditures for 2019 does not exceed its committed sources of funds. However, there is still significant doubt about its ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management's current strategy is to focus on the contract research business and to exercise careful cost control to sustain operations in the near term. Management recognizes the Company's need to expand its cash reserves in the coming year if it intends to adhere to its research and development goals and has evaluated its potential sources of funds, including: increased revenue from contract research and sales of its products, additional grants to cover development expenditures, and possible equity financing options. Although management intends to assess and act on these options through the course of the year, there can be no assurance that the steps management takes will be successful.

In the event that cash flow from operations, together with the proceeds from any future financings are insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations.

These financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported revenues and expenses, and balance sheet classifications used, that would be necessary if the Company were unable to continue as a going concern.

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 May 16, 2019.

Innovotech Inc.

Notes to Financial Statements

(Unaudited) March 31, 2019 and 2018

3 Significant accounting policies

New and amended standards adopted

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

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

4 Share capital

- a) Shares to be issued

In December 2017, the warrant holder exercised 2,500,000 of the warrants and the Company received \$250,000. At March 31, 2018, the common shares had not been issued. The shares were issued in April 2018.

- 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 or as otherwise 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 \$1,800 for the three months ended March 31, 2019 (2018 – \$34,129).

Innovotech Inc.

Notes to Financial Statements

(Unaudited) March 31, 2019 and 2018

2019 transactions

On January 29, 2019, the Company granted to certain employees 36,000 stock options at an exercise price of \$0.05 with an expiry date of January 29, 2024. These stock options vests on January 29, 2020. The estimated fair value of these options is \$0.0696 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	243.73%
Risk-free interest rate	1.94%
Expected life of options	5 years

2018 transactions

On February 16, 2018, the Company granted to certain directors and employees 285,000 stock options at an exercise price of \$0.11 with an expiry date of February 16, 2028. These stock options vest immediately. The estimated fair value of these options is \$0.1198 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	191.68%
Risk-free interest rate	2.31%
Expected life of options	10 years

5 Net change in non-cash working capital items

	2019	2018
	\$	\$
Trade and other receivable	(5,231)	(20,184)
Inventory	1,582	237
Unbilled revenue	(5,878)	-
Prepaid expenses	(3,103)	6,887
Accounts payable and accrued liabilities	12,071	(58,135)
Deferred revenue	-	12,757
	<u>(559)</u>	<u>(58,438)</u>

Innovotech Inc.

Notes to Financial Statements

(Unaudited) March 31, 2019 and 2018

6 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 March 31,	
	2019	2018
	\$	\$
Canada	24,013	26,550
United States	155,581	164,503
Rest of world	42,427	24,743
	222,021	215,796

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