INNOVOTECH INC

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and 6-Month Period Ended June 30th, 2020 (as of August 12th, 2020)

The following Management Discussion and Analysis (MD&A) of results of operations and financial position as of June 30, 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, 2019 and the related notes thereto. This MD&A is provided by management using information available up to August 12th, 2020.

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 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.

OVERVIEW OF THE BUSINESS

Innovotech Inc. (the Company) was incorporated in 2001 under the Business Corporation Act of Alberta. The primary 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 current products include a family of silver periodate antimicrobial compounds (InnovoSIL™) for medical application. The Company also owns proprietary assays used in growing microbial biofilms for research purposes. The Company is publicly traded and listed on the TSX Venture Exchange. Its registered office is 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.

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. The Company has methodologies, equipment, and long experience that it believes give it certain proprietary advantages and efficiencies. Recently, Innovotech designed, built, and holds a provisional patent to a device that accelerates and improves the quality of testing of catheters and stents for susceptibility to or resistance to microbial biofilm formation (See "About the new BESTp*lus* Assay™", below)

Innovotech manufactures and sells the MBEC Assay® Kits, which keeps its name in the forefront of research and medical device testing of microbial biofilms on a global basis. The consistent revenues from sale of the Kits help to mitigate the volatility inherent in contract research services. The Company believes that the association of the Kit with its contract research services contributes to its contract research marketing efforts.

The Company pursues new accounts in its contract research business on a direct contact basis. We have determined over time that maintaining an active profile that is connective to the finite number of clients available to us is the most effective and useful approach to marketing our services. We use direct e-mail and telephone communication supported by personal visits and conference attendances to maintain and expand our clientele.

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. The links to these papers are available on the company's website, www.innovotech.ca.

The Company's work with medical device companies in evaluating the anti-microbial biofilm properties of InnovoSIL™-1 has led to the signing of an exclusive Collaboration Agreement with a global medical device company reported by the Company on July 14th, 2020.

Strategically, the Company is alert for other business activities and continues to seek merger or acquisition opportunities to diversify, to increase revenues, and to extend its reach. This strategy is supported by our $7.5 million (Dec. 31, 2019) of long-term tax pools available to reduce future net income for tax purposes.

THREE-MONTH OVERALL PERFORMANCE TO JUNE 30, 2020:

Q2 was a successful quarter for the Company. We managed Innovotech through the COVID-19 pandemic that negatively affected Innovotech financial results in Q1 2020, and the Company remained fully operational. Revenues in the second quarter were 2.6 times higher than those in the first quarter of 2020 at $333,904 generating a 2nd quarter profit of $121,974.

Perhaps more importantly, on July 14, 2020, subsequent to the end of the second quarter, we entered into an exclusive Collaboration Agreement with a major medical device company that will see our silver periodate compound, InnovoSIL™ -1, receive focused research targeted at advancing InnovoSIL™ -1 toward commercial applications in medical devices. During the term of the Agreement Innovotech will receive annual payments in return for the exclusive Collaboration Agreement.

THREE MONTH FINANCIAL RESULTS OF OPERATIONS TO JUNE 30, 2020:

Contract research revenues in Q2 were $291,881 versus $220,776 in the comparable period of the prior year. A portion of the higher revenues in the current period related to realization of deferred revenue carried over from Q1. MBEC Assay plate and other revenues were $42,023 versus $65,838. The lower Q2 product sales revenues in the current year are largely due to universities continuing to pause their full laboratory re-openings partially offset by swab sterilization proceeds.

Certain stakeholders reduced their rents and service fees during the quarter. Consequent on the higher revenues and lower costs, plus federal COVID-19 related grants, the Company earned a $121,974 profit in Q2 versus a loss of $5,031 in Q2 of 2019.

Revenue & gross profit

	Q2 2020	**Q2 2019**
Contract research fees	291,881	220,776
Product sales	42,023	65,838
Gross revenue	333,904	286,614
Cost of sales	88,613	88,491
Gross profit	**245,291**	**198,123**

Operating expenses & net income (loss)

	Q2 2020	**Q2 2019**
General & administrative	156,686	173,669
Bad debt expense	-	22,873
Sales & marketing	-	39
Research & development (R&D)	4,164	7,446
Grants	(37,533)	(2,373)
Total operating expenses	123,317	201,654
Interest expense	-	(1,500)
Net income (loss)	**121,974**	**(5,031)**

Higher revenue, the CEWS federal grant ($37,533) and reduced fees and expenses contributed to the stronger profit for Q2.

SIX- MONTH FINANCIAL RESULTS OF OPERATIONS TO JUNE 30, 2020:

The first 6 month period of the 2020 year was a tale of two quarters. Q1 was impacted by the COVID pandemic and deferred revenue, and in that quarter Innovotech lost $115,298. Q2 responded to higher contract research volumes and lower costs resulting in a net profit of $121,974. The result for the six-month period was a profit of $6,676 from revenues of $460,291. The prior year six-month period recorded higher revenue of $508,635, but recorded a loss of $19,549, largely due to a bad debt of $22,873.

The first half of 2020 benefited from the Canada Emergency Wage Subsidy program in the amount of $37,533 and from action taken by stakeholders in the areas of reduced rent, contract fees, waiving of interest and stock option exercises.

Revenue & gross profit:

	H1 2020	**H1 2019**
Contract research fees	360,797	370,224
Product sales	99,494	138,411
Gross revenue	460,291	508,635
Cost of sales	146,830	157,581
Gross profit	**313,461**	**351,054**

Operating expenses and net income (loss)

	H1 2020	**H1 2019**
General & administrative	333,895	335,140
Bad debt expense	-	22,873
Sales & marketing	-	39
Research & development	12,830	11,923
Grants	(40,940)	(2,373)
Total operating expenses	305,785	367,602
Interest	1,000	3,001
Net profit (loss)	**6,676**	**(19,549)**

EBITDAS

EBITDAS, or earnings before interest, taxes, depreciation, amortization, and stock-based compensation, is not a Generally Accepted Accounting Principle; but it is a useful measure of comparative operational performance over quarterly and annual time periods. Negative EBITDAS in the 2020 1st quarter was offset by the strong Q2 performance resulting in positive EBITDAS of $15,315 for the first six months of 2020.

	H1, 2020	**H1, 2019**
Net income (loss)	6,676	(19,549)
Depreciation and amortization	7,546	5,856
Loss on disposal of equipment	93	-
Interest	1,000	3,001
Share-based compensation	-	1,800
	15,315	**(8,892)**

ASSETS, LIABILITIES & SHAREHOLDER'S EQUITY

The net profit of $6,676 combined with non-cash charges yielded a cash flow of $15,315. Positive net changes in working capital yielded cash of $68,582. The term loan accessed through the CEBA program provided $40,000 and stock option exercise yielded $7,750, all of which increased cash by $101,811. The effect was to increase working capital to $181,259 compared to $148,030 as of December 31. 2019.

	June 30, 2020	Dec. 31, 2019
Current assets	307,855	224,825
Equipment & other	71,254	50,057
Total assets	379,109	274,882
Current liabilities	126,596	76,795
Long-term liabilities	140,000	100,000
Total liabilities	266,596	176,795
Shareholder's equity	**112,513**	**98,087**

LIQUIDITY & CAPITAL RESOURCES

Innovotech has a history of frequent quarterly and annual losses caused by high levels of expensed R&D costs. The Company has, in the past, funded its operations primarily from equity financing, shareholder loans and government grants and loans. The Company is working to change this, but the COVID-19 pandemic interrupted this work in Q1. Q2 has restored the earlier trend. Moreover, the Collaboration Agreement signed subsequent to the end of the first six months has the effect of turning InnovoSIL™ -1 from a cost center patent-wise to a profit center from payments based on the Agreement.

As of June 30, 2020, the Company had cash and cash equivalents of $198,482 versus $96,671 on December 31, 2019.

OUTLOOK

In common with many companies, Innovotech is unable to gauge the near- or longer-term effects of the COVID-19 pandemic on the operations of the company. We believe, however, that it is important to stay fully operational during these times.

Our vision of contracts ahead is short term and extends out 60 to 120 days. We caution that contracts can be postponed from time-to-time and are cancellable until signed. It appears, however, that the 3rd quarter of 2020 is developing well in terms of revenue in part because of revenue of $62,041 deferred to that quarter.

The Company continues to be alert for other business opportunities.

RECENT DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2020

On July 14th, 2020, we announced a Collaboration Agreement on InnovoSIL™-1 with a global medical device company that stands as a seminal transaction for the Company as it greatly improves the chances of our silver periodate molecule advancing toward commercial status not only to the benefit of the Company, but, we believe, to the benefit of society as well. InnovoSIL™ -1 is an efficient eradicator of microbial biofilms in even the most difficult of environments. We look forward to the results of continuing R&D on InnovoSIL by our partner.

SUMMARY OF QUARTERLY RESULTS

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Gross revenue	333,904	126,387	228,706	248,884	286,614	222,021	199,615	216,536
Cost of Sales	88,613	58,217	62,193	71,338	88,491	69,090	57,937	44,332
Gross profit	245,291	68,170	166,513	177,546	198,123	152,931	141,678	172,204
Expenses	123,317	183,468	210,925	160,847	203,154	167,449	109,833	188,987
Net income (loss)	**121,974**	**(115,298)**	**(44,412)**	**15,200**	**(5,031)**	**(14,518)**	**31,845**	**(16,783)**
Net income (loss) per share	$0.00	($0.00)	($0.00)	$0.00	($0.00)	($0.00)	$0.00	($0.00)

ABOUT INNOVOSIL AND AGREGUARD

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

InnovoSIL™-1 is a silver based antimicrobial compound that has the unique feature that the silver component is not rapidly inactivated by components of bodily fluids.

In 2017, Innovotech was issued US Patent No. 9,723,843 covering the InnovoSIL™ family of silver(I) periodate compounds having broad antimicrobial properties, including InnovoSIL™-1 and AgreGuard™. The patent claims the ability to prevent, reduce, and treat microbial growth or contamination and describes treatment of infection in humans, pets, and livestock, disinfection of surfaces, and anti-biofilm as well as anti-planktonic (free floating) activity.

On Oct. 8, 2019, Innovotech was granted U.S. Patent No. 10,434,210 for antimicrobial silver iodates in gels, allowing for slow release of antimicrobial agents from surface coatings of medical implant devices or direct application to wounds (although InnovoSIL™ compounds do not presently have FDA or Health Canada approval for either application). A continuation of this patent was filed to obtain coverage for additional claims related to InnovoSIL™-1 and related silver compounds.

Innovotech's European Patent Application 11817612.2 was granted on July 8, 2020 as EP 2 605 659 B1. The patent claims methods of treating microbial contaminants, including biofilms, via use of a coating, powder, gel, spray, dipping solution, or lubricant containing InnovoSIL™-1. It describes approaches to produce InnovoSIL™-1 and coat it onto or incorporate it into a variety of surfaces, including medical-grade metals and wound dressings. Innovotech filed EP Application No. 2018205.2 (a divisional of the granted patent) on 30/06/2020 to obtain coverage for additional claims related to InnovoSIL™-1 and related silver compounds.

In July 2020, Innovotech signed an exclusive Collaboration Agreement with a global medical device company that will see continuing R&D done to advance InnovoSIL™ -1 toward commercial development.

InnovoSIL™-1, AgreGuard™-1, and related silver compounds covered by the above patents are broadly effective against bacterial and fungal biofilms associated with human, animal, and plant infections, and eliminate infections via multiple mechanisms of action, making it difficult for microbial resistance to develop.

ABOUT THE NEW BEST*plus* ASSAY™

The Company filed for a patent on its BEST*plus* Assay™ invention. U.S. Provisional Patent Application No. 62/977,953 was filed on Feb 18th, 2020. We believe that this device significantly enhances our competitive position in our industry. An abstract on the applications of this device follows:

Implanted medical devices are associated with a high rate of nosocomial infections, which, in most cases, develop into chronic infections. Microorganisms from the surrounding environment, the patient's skin, catheter intraluminal contamination, or haematogenous seeding, adhere and colonise these devices, eventually forming biofilm. 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.

Using methods that allow for bridging between *in vitro* testing and animal studies is 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 original BEST Assay™ (Biofilm Eradication Surface Testing), developed by Innovotech Inc., provides a clinically relevant high throughput platform for testing the extraluminal surfaces of implanted medical devices without the undesirable exposure of uncoated sections to microbial challenge. However, the clinical uses of catheters, stents or tubes involve fluid exposure to both the intraluminal and extraluminal surfaces simultaneously. This impacts the hydration level of the polymer of which the device is made, which can affect the elution profile of the impregnated or coated antimicrobial compound(s). This could change, for better or worse, the antimicrobial performance of the device relative to what is measured in the BEST Assay™, especially for assays in which devices are preconditioned for relatively long periods of time prior to microbial challenge. To address this concern, the BEST*plus* Assay™ has been developed.

The BEST*plus* 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.

CONTRACTUAL OBLIGATIONS

Innovotech records long-term debt of $140,000 on its balance sheet in the amount of a note for $100,000, comprising the full amount of an unsecured debenture provided by a shareholder bearing interest at 6% per annum maturing on July 15, 2022; and a $40,000 term loan accessed through the Canada Emergency Business Account (CEBA). The CEBA loan is non-interest-bearing until December 31, 2022. If paid before that date, $10,000 of the principal amount will be forgiven.

OUTSTANDING SHARE CAPITAL

As at the date of this MD&A, there are 36,399,612 issued shares 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 1,865,000 optioned shares.

GEOGRAPHIC SALES INFORMATION

	Second Quarter		First Half	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	$	$	$
Canada	18,729	34,441	30,785	60,454
United States	287,933	218,795	374,307	374,374
Rest of World	27,242	31,380	55,199	73,807
	333,904	284,616	460,291	508,635

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, and facilities 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. As at June 30th, 2020, our current assets were $307,855, and our current liabilities were $126,596 providing a working capital balance of $181,259. There exists a level of doubt associated with the Company's ability to continue as a going concern as note 1 to the December 31st, 2019 audited financial statements discloses.

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, 2019.

End