Innovotech Inc.

Interim Financial Statements
(Unaudited)
For the three-month periods ended
March 31, 2015 and 2014

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, 2015 $	December 31, 2014 $
Assets		
Current assets		
Cash and cash equivalents	74,058	4,795
Trade and other receivables	149,548	230,996
Inventory	33,685	30,589
Prepaid expenses	3,216	6,987
	260,507	273,367
Equipment	111,353	117,547
Licenses	13,458	17,944
	385,318	408,858
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	426,733	541,245
Deferred revenue	153,012	17,913
Due to shareholder (note 9)	112,500	112,500
Current portion of repayable contributions (note 7)	15,850	5,350
	708,095	677,008
Repayable contributions (note 7)	503,293	497,511
	1,211,388	1,174,519
Shareholders' Deficiency		
Share capital (note 4(a))	6,714,372	6,714,372
Shares to be issued	-	-
Contributed surplus	749,100	749,100
Deficit	(8,900,204)	(8,839,795)
Warrants	610,662	610,662
	(826,070)	(765,661)
	385,318	408,858

Going Concern (note 1)

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

Approved by the Board of Directors

_______________________ Director
(Signed) "Bernard Grobbelaar"

_______________________ Director
(Signed) "James Timourian"

Innovotech Inc.

Statements of Changes in Shareholder's Deficiency
(Unaudited)

	Share capital $	Warrants $	Shares to be issued $	Contributed surplus $	Deficit $	Total $
Balance – January 1, 2015	6,714,372	610,662	-	749,100	(8,839,795)	(765,661)
Net and comprehensive loss for the period	-	-	-	-	(60,409)	(60,409)
Shares and warrants issued on private placement (note 4 (a))	-	-	-	-	-	-
Employee share options Value of services recognized	-	-	-	-	-	-
Balance – March 31, 2015	6,714,372	610,662	-	749,100	(8,900,204)	(826,070)
Balance – January 1, 2014	6,714,372	806,293	-	540,158	(8,630,155)	(569,332)
Net and comprehensive loss for the period	-	-	-	-	(129,425)	(129,425)
Shares and warrants issued on private placement	-	-	-	-	-	-
Employee share options Value of services recognized	-	-	-	5,371	-	5,371
Balance – March 31, 2014	6,714,372	806,293	-	545,529	(8,759,580)	(693,386)

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

Innovotech Inc.
Statements of Operations and Comprehensive Loss
(Unaudited) For the three-months ended March 31, 2015 and 2014

	2015 $	2014 $
Revenue		
Contract research fees	139,441	159,414
Product sales	35,775	41,908
	175,216	201,322
Cost of sales		
Contract research	52,396	83,506
Product sales	21,860	18,138
	74,256	101,644
Gross profit	100,960	99,678
Operating expenses		
General and administrative	110,438	142,933
Sales and marketing	738	18,937
Research and development	69,465	154,062
Grants	(38,367)	(102,500)
	142,274	213,432
Interest expense	(19,095)	(15,671)
Interest income	-	-
Net interest expense	(19,095)	(15,671)
Net loss and comprehensive loss for the period	(60,409)	(129,425)
		$
Basic and diluted loss per common share	(0.00)	(0.00)
	#	#
Weighted average number of common shares outstanding for the period	28,739,612	28,739,612

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, 2015 and 2014

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(60,409)	(129,425)
Adjustments for:		
Amortization	10,680	12,754
Net interest expense	19,095	15,671
Stock-based compensation	-	5,371
	(30,634)	(95,629)
Net change in non-cash working capital items (note 6)	102,710	98,236
	72,076	2,607
Financing activities		
Interest paid	(2,813)	
	(2,813)	-
Increase in cash and cash equivalents	69,263	2,607
Cash and cash equivalents – Beginning of period	4,795	37,120
Cash and cash equivalents – End of period	74,058	39,727
Cash and cash equivalents comprise cash on deposit	74,058	39,727

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

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's expenses have exceeded its revenue to date and it has incurred a net loss for the three-months period ended March 31, 2015 of $60,409 (2014 – $129,425); it has incurred generated operating cash flows of $77,426 (2014 - $2,607), and has accumulated a deficit of $8,900,204 at March 31, 2015 (2014 - $8,759,580). In addition, as the Company's planned level of expenditures for fiscal 2015 exceeds its committed sources of funds, there is 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 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 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 19, 2015.

3 Significant accounting policies

The accounting policies followed in these condensed interim financial statements are consistent with those of the previous financial year, except as described below.

Changes in accounting policies

The company has not adopted any new standards, during the quarter.

4 Share capital

a) Authorized

Unlimited number of Class A common, voting shares

Issued and outstanding

	#	$
Opening balance at January 1, 2015	28,739,612	6,714,372
Shares issued on private placement net of issuance costs	-	-
Balance at March 31, 2015	28,739,612	6,714,372

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 as 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 stock based compensation expense of $nil for the three months ended March 31, 2015 (2014 – $5,371).

2014 transactions

On January 22, 2014, the Company granted to certain management employees 50,000 stock options at an exercise price of $0.045. These stock options vest immediately. The estimated fair value of these options is $0.0492 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	165.10%
Risk-free interest rate	2.48%
Expected life of options	8 years

On August 14, 2014, the Company granted to certain directors and employees 62,500 stock options at an exercise price of $0.07. The stock options vested immediately. The estimated fair value of these options is $0.0346 per option and has been determined using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	Nil%
Expected volatility	143.47%
Risk-free interest rate	2.05%
Expected life of options	5 years

The following table summarizes information relating to stock options outstanding and exercisable under the Program at March 31, 2015 and December 31, 2014.

	Three-month period ended March 31, 2015		Year ended December 31, 2014	
	Stock options #	Weighted average exercise price $	Stock options #	Weighted average exercise price $
Outstanding – Beginning of period	938,000	0.38	943,500	0.44
Granted	-	0.00	112,500	0.06
Expired	-	0.00	(66,500)	0.76
Forfeited	-	0.00	(51,500)	0.72
			(35,000)	0.70
Outstanding – End of period	938,000	0.38	938,000	0.38
Exercisable – End of period	936,000	0.38	869,333	0.38

			Three month period ended March 31, 2015
		Outstanding	**Exercisable**
Exercise price	**Number of shares**	**Weighted average contractual life (years)**	**Number of shares**
$	**#**		**#**
0.78	116,500	4.95	116,500
0.52	85,000	5.83	85,000
0.72	8,000	6.25	8,000
0.61	50,000	6.33	50,000
0.45	120,000	6.93	120,000
0.35	200,000	7.44	200,000
0.30	106,000	8.09	104,000
0.08	30,000	8.57	30,000
0.18	110,000	8.62	110,000
0.04	50,000	8.80	50,000
0.07	62,500	4.37	62,500
	938,000		936,000

			Year ended December 31, 2014
		Outstanding	**Exercisable**
Exercise price	**Number of shares**	**Weighted average contractual life (years)**	**Number of shares**
$	**#**		**#**
0.78	116,500	5.20	116,500
0.52	85,000	6.08	85,000
0.72	8,000	6.50	8,000
0.61	50,000	6.58	50,000
0.45	120,000	7.18	120,000
0.35	200,000	7.69	133,333
0.30	106,000	8.34	102,000
0.08	30,000	8.82	30,000
0.18	110,000	8.87	110,000
0.04	50,000	9.05	50,000
0.07	62,500	4.62	62,500
	938,000		869,333

c) Warrants

A summary of the Company's warrants, which were issued as described in note 4 (a), is as follows:

	Three-month period ended March 31, 2015			Year ended December 31, 20142010		
	Warrants #	$	**Weighted average exercise price** $	**Warrants** #	$	**Weighted average exercise price** $
Outstanding – Beginning of year	2,996,861	610,662	0.40	3,587,499	806,293	0.53
Issued net of issuance costs	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	(590,638)	(195,631)	0.90
	3,587,499	806,293	0.40	2,996,861	610,662	0.40
Weighted average remaining contractual life			1.06 years			0.75 years

5 Related party transactions

Certain related parties provide services to the Company either directly or through companies that they control. Fees (net of GST) charged by such companies for administrative and professional services were as follows:

			Three-month period ended	
	Relationship	**Transaction**	**March 31, 2015** $	**March 31, 2014** $
Bruce Hirsche, Parlee McLaws LLP	Corporate Secretary and Legal Counsel, Director	Professional fees	1,763	3,614
		Interest expense	313	-
Bernard Grobbelaar	Chief Financial Officer, Director	Professional fees	19,725	-
Dr. Gerard Tertzakian	Director	Interest expense	313	-
Dr. James Timourian, Sassoun Investments Ltd.	Chairman	Administrative services	-	-
Dr. Wolfgang Muhs	Director	Interest expense	313	-

At March 31, 2015, $55,376 (2014 – $38,461) remained outstanding and is included in accounts payable. These services are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

6 Net change in non-cash working capital items

	2015 $	2014 $
Trade and other receivable	81,448	40,476
Inventory	(3,096)	(2,327)
Unbilled revenue	-	(2,078)
Prepaid expenses	3,771	14,344
Accounts payable and accrued liabilities	(114,512)	30,721
Deferred revenue	135,099	17,100
	102,710	98,236

7 Repayable contributions

The Company entered into two Canadian Agricultural Adaptation Program (“CAAP”) repayable contribution agreements with the Agriculture and Food Council of Alberta for total possible funding of $912,250 receivable over the period from June 20, 2010 through March 31, 2012.

As the contributions are non-interest bearing, the fair value at inception is estimated as the present value of the principal payments required, discounted using the prevailing market rates of interest for a similar instrument estimated to be 15% per annum. The difference between the fair value of the contributions and the cash received is accounted for as a government grant.

The balance of repayable contribution is derived as follows:

	Cumulative from inception $	March 31, 2015 $	December 31, 2014 $
Opening balance – January 1	-	502,861	440,840
Funding received	912,250	-	-
Grant revenue recognized	(566,173)	-	-
Repayment	(46,400)	-	(785)
Accretion of discount	219,466	16,282	62,806
	519,143	519,14316,282	502,861
Less:			
Current portion		(15,850)	(5,350)
		503,293	497,511

The aggregate amount of principal payments required is as follows:

	$
2015	5,350
2016	10,500
2017	45,500
2018	45,500
2019	379,500
2020	379,500
	871,200

8 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,	
	2015	**2014**
	$	**$**
Canada	5,339	6,725
United States	155,677	175,674
Rest of world	14,200	18,922
	175,216	201,321

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

9 Due to shareholders

The amount due to a shareholders of the Company consists of $112,500 promissory notes, which bear interest at a fixed rate of 10% per annum and were matured on November 30, 2014. The notes have not been paid and the shareholders have not demanded repayment.