Innovotech Inc.

Management's Discussion and Analysis of Financial Conditions and Results of Operations for the nine-month period ended September 30, 2015

innovotech
a new direction in fighting infection

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Welcome to Innovotech Inc., a company with the expertise to provide practical services and solutions for dealing with medical, agricultural and industrial problems caused by microbial biofilms.

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For further information on Innovotech Inc., please visit the Company's website at www.innovotech.ca. Other information can also be found on The System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. In particular, Innovotech's 2014 Audited Annual Financial Statements.

Innovotech Inc. shares trade under symbol IOT on the TSX Venture Exchange ("TSX-V").

The following Management's Discussion and Analysis ("MD&A") covers the nine-month period ended September 30, 2015.

This Introduction and the Table of Contents are only for the convenience of the reader. They do not form part of the MD&A and do not affect its content, interpretation or construction.

Innovotech is always interested in improving its presentation and release of information in documents such as this one. Please feel free to send your advice and comments using the Questions & Comments form under the menu item "Contact Us" on the website www.innovotech.ca *or email us directly at* info@innovotech.ca.

If you are interested in being on our regular contact email list, please register with us at www.innovotech.ca.

Innovotech Inc.

Management's Discussion and Analysis of Financial Conditions and Results of Operations for the nine-month period ended September 30, 2015.

The following Management's Discussion and Analysis ("MD&A") of results of operations and financial position as at November 24, 2015 should be read in conjunction with the audited financial statements of Innovotech Inc. ("Innovotech" or "the Company") for the year ended December 31, 2014, and the related notes thereto.

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.

Forward Looking Statements

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; consequently, 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 and most recently filed AIF.

Should known 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.

Executive Summary

Innovotech has endeavored to build its reputation and business as a provider of services and proprietary products that reflect its expertise in microbial biofilms and methods to combat them.

Most recently the Company has worked to maintain and grow its contract research business while reducing expenses sufficiently to develop profits and generate the cash to deal with balances owed creditors and maintain a focused research and development program.

The cold calls and the marketing effort so far this year have been fruitful, new clients have signed new contracts in the third quarter. These proof of concept projects may open the door for more testing for clients this year and in the coming years.

Innovotech's cost cutting measures are still having the desired effects and the Company maintains its focus on building a sustainable and profitable business without further capital investment. However the efforts to build revenue have not been entirely successful. Contracts have been canceled and several contracts we are confident will eventually be signed were postponed by the clients for reasons that are not under our control.

The financial loss in the first nine months of 2015 is nearly 46% less than the loss in the same nine months of 2014. Operations generated $18,106 in cash for the nine month period ended September 30, 2015. Revenue for the three and nine month periods ended September 30, 2015 were up from the same periods last year, with deferred revenue at $96,385, compared to $17,913 at December 31, 2014.

Research and development costs have continued to decrease as the Company maintains its focus on the commercial development of the InnovoSIL™ family of silver based compounds. During the latest period the Company concentrated on refinement of patent submissions.

Overview of Business

Innovotech Inc. has the expertise to provide practical services and solutions for dealing with medical, agricultural and industrial problems caused by microbial biofilms.

Biofilms play a significant role in chronic infections and diseases in:

- Human health, such as hospital-acquired infections, diabetic ulcers, and medical device-related infections;
- Agriculture, such as *Fusarium* in wheat and bacterial blight in pulse crops;
- Industry, such as microbial-induced corrosion of oil and gas pipelines;

In the US alone, over 17 million patients suffer from difficult to treat biofilm infections, and of this group, 550,000 people die annually. This is equal to the number of patients who die from cancer and 30 times the number of Americans who die from AIDS. Aside from the disaster this represents for human lives, the health care system is forced to respond with time, people, and $94 billion in extra costs. (Wolcott, R.D. *et al*. 2010. Chronic wounds and the medical biofilm paradigm. *Journal of Wound Care*, Vol 19, No. 2.)

The leading causes of hospital-acquired infections, which are of biofilm origin, are the surgical procedures to implant medical devices such as catheters, artificial joints and stents. In the US, hospital-acquired infections caused 99,000 deaths annually. (Klevens RM, Edwards JR, Richards CL, Horan TC. Estimating Health Care-Associated Infections and Deaths in U.S. Hospitals, 2002. *Public Health Reports 2007*)

Many plant pathogens are known to form biofilms at one or more phases during their disease cycle. As a result of these biofilm infections, production of food, feed and fibre crops is reduced by millions of tons and hundreds of billions of dollars around the world each year (T.W. Schillhorn van Veen, Agricultural pest management at a crossroads: new opportunities and new risks. *Extension bulletin – Food & Fertilizer Technology (Taiwan), 1999, 466: 1-14*).

Innovotech's contract research specializes in solving biofilm issues and has a successful track record of assembling data packages for regulatory applications required by the US Food and Drug Administration (FDA) and other regulatory bodies for implant medical devices. The Company has applied its expertise to resolve many other biofilm issues, including, but not limited to, the areas of catheter and implant medical devices, dental treatments, water line antimicrobial agents, bacteriophages testing, pipeline corrosion and food plant contamination.

The oil and gas industry uses biocidal chemicals to resolve the problem of bacterial induced corrosion. The service that Innovotech provides evaluates individual biocides against sample bacteria. This approach leads to better choices that maintain effectiveness at reduced cost and environmental risk.

Innovotech has also worked with clients developing products for bacterial and fungal agricultural crop diseases and hard surface disinfectants in food safety, transportation and health care.

While Innovotech has been building its reputation in providing services through its contract research, it also has commercially available or developing products that address the issue of biofilms in a number of different industries. The MBEC Assay™ for the research, development and quality control market is an essential tool for those who want to establish antibiofilm claims of their new or existing products. InnovoSIL™-1 has continued to demonstrate its potential as an antimicrobial coating of catheters and other medical devices inserted into the body. There is interest in Innovotech technology in the agriculture sector for use against crop diseases in both fields and in greenhouses.

The MBEC Assay™ is a high throughput biofilm growth device that was approved in 2012 as an ASTM International standard for testing hard surface disinfectant products that are submitted to regulatory agencies with anti-biofilm claims. This means that any hard surface disinfectant product claiming effectiveness against biofilms will have to pass tests that are based on the Innovotech growth device. The MBEC Assay™ is routinely purchased by institutes focused on basic biofilm research and companies looking to test products in the early stages of development. Innovotech uses the device in providing services to its clients, for example evaluating disinfectants for cleaning contaminated plants.

InnovoSIL™-1 is a silver based antimicrobial compound that has the unique feature that it is not rapidly inactivated by chloride ions (salt) present in all body tissues. The Company is not aware of any other silver formulations that possess this trait. Tests show InnovoSIL™-1 out performs 8 products, both silver and non-silver based, that are currently commercially used as antimicrobials in wound dressings and medical device coatings. In the case of wound dressings, InnovoSIL™-1 performed thousands of times better than the present two leading wound dressings in killing bacteria typically present in wounds.

The Company is working with potential users of InnovoSIL™-1 as a coating for medical devices and wound dressings. The work outside Innovotech has moved slowly and there are competing technologies that may not be as good, but have the advantage of already being used. Innovotech is actively seeking to accelerate the process through the use of its research facilities, but has not made any significant progress in the period beyond refinements in knowledge required for patent submissions. Innovotech's expertise in gaining regulatory approval should also prove useful in eventually bringing medical devices coated with InnovoSIL™-1 to market.

There are other members of the InnovoSIL™ family that have different properties that may be suitable for applications in which InnovoSIL™-1 does not excel. These compounds are at a much earlier stage in their development.

Intellectual Property

The Company has filed its own family of patents to protect product technology, especially (and exclusively) InnovoSIL™ in medical device applications.

As part of its narrowed R&D focus the Company is continually reviewing its IP policies, in relation to IP it has licensed as well as the maintenance of patents it has been granted and applications for new patents.

Update on InnovoSIL™

The InnovoSIL™ family represents an important part of the future of Innovotech. No development or marketing agreement has yet been negotiated or signed with medical device manufacturers regarding any InnovoSIL™ products.

Update on Agress®/AgreGuard™

The Company has decided to allocate less of its financial resources to the development of the potential agricultural products and AgreGuard™ pending the identification of a suitable partner to help gain regulatory approval and then market them. Innovotech has established that interest exists with potential partners and has supplied raw materials to support preliminary development efforts. No information on projects initiated by third parties in the first part of 2015 has yet become available, except for the results of fire blight tests that were inconclusive because of a poor growing season.

A paper on the characteristics of Agress® was published during the period (*Patricia Nadworny, Oladipo Omotoso, Zhaoyan Zheng (2015). Comparison of Oxysilver Nitrate and Oxysilver Bisulfate, Part I: Synthesis and Physicochemical Properties. Polyhedron, Volume 99, Pages 204–215.*)

Update on Contract Research

In the most recent past the Company has worked to maintain and grow its contract research business while reducing expenses sufficiently to develop profits and generate the cash to deal with balances owed creditors and maintain a focused research and development program.

Although the present client list is primarily from the area of human health, there are other industries such as oil and gas or food processing that have need for services and together can provide long term growth. New clients usually start with relatively small projects, but steadily relationships grow as clients gain more confidence in Innovotech's work and in the products or applications they are seeking help with.

Innovotech's cost cutting measures are still having the desired effects and the Company maintains its focus on building a sustainable and profitable business without further capital investment. However the efforts to enhance revenue have not been entirely successful. Contracts have been canceled and several contracts we are confident will eventually be signed were postponed by the clients for reasons that are not under our control.

Update on MBEC Assay

MBEC Assay sales continued to increase during the first nine months of 2015, both to academic research institutions and industry. Innovotech is the sole supplier of the MBEC products worldwide, all MBEC assays are manufactured and shipped from the Company's Edmonton facility.

Summary of Quarterly Results

	2015			2014				2013	
($)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Gross revenue	**185,513**	**183,804**	**175,216**	371,638	135,913	193,747	201,322	175,242	175,396
R&D expense	**58,022**	**74,722**	**69,465**	45,564	91,681	99,288	154,062	103,646	140,067
Net income (loss)	**(47,135)**	**(92,988)**	**(60,409)**	161,643	(132,993)	(108,865)	(129,425)	(275,133)	(206,636)
Net income (loss) per share	**(0.00)**	**(0.00)**	**(0.00)**	0.01	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)

Results of Operations

In the three month period ended September 30, 2015, the Company incurred a net loss of $47,135 (2014 – $132,993). In the nine month period ended September 30, 2015, the Company incurred a net loss of $200,532 (2014 – $371,282).

Revenues

In the three month period ended September 30, 2015, total revenues were $185,513 (2014 - $183,804). This included contract research revenue of $120,745 (2014 - $102,269) and product sales of $64,768 (2014- $33,644). In the nine month period ended September 30, 2015, total revenues were $544,533 (2014 – $530,983).

General and Administrative Expense

In the three month period ended September 30, 2015, general and administrative expense, including stock based compensation expense and allocated amortization expense, was $104,597 (2014 - $128,703). In the nine month period ended September 30, 2015, general and administrative expenses were $344,383 (2014 – $411,292). The reduction of expenses is a result of various cost saving measures initiated during 2014, including staff reductions and reduction of office rent.

Cost of Sales

Cost of sales consisting of direct labour, direct materials and allocated amortization, in the three month period ended September 30, 2015 was $58,776 (2014 - $61,558). In the three month period ended September 30, 2015, cost of sales for the contract research segment of Innovotech revenue was $41,305 (2014 - $51,362). The cost of sales for products was $17,471 (2014 - $10,196). In the nine month period ended September 30, 2015, cost of sales was $210,949 (2014 – $245,155).

Amortization

Amortization is proportionately allocated to general and administrative, cost of sales and research and development activities. In the three month period ended September 30, 2015, amortization was $10,780 (2014 – $11,996). In the nine month period ended September 30, 2015, amortization was $32,139 (2014 – $36,945).

Stock Based Compensation

For the three month period ended September 30, 2015, stock based compensation expense was $nil (2014 – $2,913). The expense was recorded due to accruing compensation cost over the vesting period of options granted in the current and previous periods. In the nine month period ended September 30, 2015, stock based compensation expense was $13,326 (2014 – $11,197).

Research and Development

In the three month period ended September 30, 2015, research and development expense, including allocated amortization and patents costs, was $58,022 (2014 – $91,681). The cost was partially offset by various grants of $7,398 (2014 – $32,917). In the nine month period ended September 30, 2015, research and development expense was $202,209 (2014 – $345,030). The decrease in costs is mainly attributed to the freeze of agricultural programs in favour of the development of the InnovoSIL™ product line.

Net interest expense

The Company recorded net interest expense of $18,651 (2014 – $18,663) during the three month period ended September 30, 2015. The net interest expense is comprised of interest income earned, interest paid on shareholder loans and non-cash interest expense on repayable contributions, almost entirely CAAP grants described below. In the nine month period ended September 30, 2015 net interest expense was $59,420 (2014 – $50,562).

Repayable contributions payments

The Company recorded the current portion of $13,850 (2014 – $5,350) of principal of CAAP repayable contributions under current liabilities for the three month period ended September 30, 2015.

Liquidity and Capital Resources

At September 30, 2015, the Company had $14,314 in cash compared to $4,795 at December 31, 2014.

Disciplined investment in development in the Company's lead products, an increase in revenues during the fourth quarter 2014 and the increase in deferred revenues for future projects have contributed to an increase in cash reserves.

At present, the Company's expenses are in excess of its revenue, thereby creating year to date losses that have accumulated since the Company's inception. However, the loss for the nine month period ended September 30, 2015 is 46% lower than that in 2014.

The Company is in the process of negotiating a repayment of $69,000 USD for a contract that was cancelled, based on offsetting with future contracts and regular payments.

The Company intends to manage its liquidity risk through a combination of activities in the immediate future. These include:

1) Expanding the revenue from its contract research business
2) Gaining revenue from the sale of products it has developed
3) Receiving revenue from the licensing of products or technology
4) Receiving grants to offset product development costs
5) Reducing operating expenses as much as possible
6) Suspending research and development projects that are not close to contributing to near term revenue
7) Postponement or waiver of compensation by officers
8) Private financings
9) Reducing demands on resources by seeking mergers with other companies
10) Finding buyers for technology the Company has decided to no longer pursue.

If cash flow from operations is insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company's best interest

Financing Activities

In the nine month period ended September 30, 2015 the Company paid $10,438 interest on shareholder loans (2014 - $nil).

Investing Activities

There were no investing activities during the nine month period ended September 30, 2015 (2014 - $nil).

Outstanding Share Capital

At September 30, 2015, the Company had 28,739,612 common shares outstanding, warrants to purchase up to 1,366,667 common shares and stock options to purchase up to 1,323,000 common shares.

Related Party Transactions

Certain related parties provide services to the Company either directly or through companies that they control. Fees charged by such companies for administrative and professional fees for the three month period ended September 30, 2015 were $28,327 (2014 – $9,955). For the nine month period ended September 30, 2015 these charges were $53,188 (2014 – $13,569). These services are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company also incurred interest on shareholder loans advanced to the Company by related parties.

Name	Relationship	Purpose	Three month period ended September 30, 2015	Three month period ended September 30, 2014	Six month period ended September 30, 2015	Six month period ended September 30, 2014
Bruce Hirsche, Parlee McLaws LLP[1,3]	Corporate Secretary and Legal Counsel, Director	Professional fees Interest expense	8,602 312	9,995 -	10,365 937	13,569 -
Bernard Grobbelaar[2,3]	Chief Financial Officer, Director	Professional fees	19,725	-	62,548	-
Dr. Gerard Tertzakian	Director	Interest expense	312	-	937	-
Dr. Wolfgang Muhs	Director	Interest expense	312	-	937	-

1 Parlee McLaws LLP is the Company's corporate counsel. Mr. Bruce Hirsche is a partner at Parlee McLaws LLP and is the legal counsel to the Company in this capacity. Mr. Hirsche as Corporate Secretary is also an Officer of Innovotech.
2 Bernard Grobbelaar Professional Corporation and Oikonomos Management Ltd. are owned by Bernard Grobbelaar. Mr. Bernard Grobbelaar provides his services as Chief Financial Officer on a contract basis through Bernard Grobbelaar Professional Corporation as well as providing contract accounting personnel to Innovotech Ltd. through Oikonomos Management Ltd.
3 All amounts net of GST.

Changes in accounting policies

The Company has not adopted any new standards during the nine month period ended September 30, 2015.

Controls and Procedures

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

(i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that

(ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR"), as defined in NI 52-109.

In particular, the certifying officers filing Venture Issuer Basic Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Outlook

Innovotech's immediate goal is to grow the market for its contract research service in human health and to expand that business into the oil and gas industry. This activity generated a profit for the Company in the final quarter of 2014.

The majority of clients of the Company's contract research services are global medical device companies. They understand the connection between the use of their products and the biofilm nature of hospital-acquired infections. Innovotech provides a valuable service to these companies from the initial screening of antimicrobial candidates, to the development of scientific studies used to validate product antimicrobial claims when submitting applications to regulatory agencies, including the U.S. Food and Drug Administration (FDA). The company also provides post-market product comparisons used for marketing purposes.

The revenue from new clients for contract research should continue to play a strong role in total contract research revenue in the remainder of 2015. While new client contracts are often small, as they occur early in the development cycle of a product or as a demonstration project for a client, the acquisition of new clients bodes well for long term growth. Of course the other side of such demonstration projects is that if they do not work out successfully for a client a much larger scheduled contract can be delayed or canceled.

Delays can happen for a host of reasons outside the control of Innovotech, including, for example, less than prompt access to samples that a client is supposed to provide, or delay in regulatory feedback on proposed study outline.

Recent marketing efforts have been directed at applications in the oil and gas industry. The Company is also working to introduce its services to the food processing industry, through a third party partner that provides related services.

The Company's contract research business also forms a critical connection with industry needs in the biofilm market that ultimately can create new product opportunities for the Company.

Sales revenue of the MBEC Assay, the patented device used primarily in research or to conduct high throughput screening of potential anti-biofilm compounds are expected to remain strong. The Company has readjusted prices and revamped its website marketing and distribution model to improve profitability.

The Company is aware of several disinfectant companies using the MBEC Assay in discussions with regulatory agencies around anti-biofilm claims. Many other companies are using the Assay to more effectively screen antimicrobial agents to ensure the best candidates are selected before starting an expensive development program. The technology can also be used to determine the most effective way (selection of antibiotics or disinfectants) to deal with a bacterial or fungal infestation.

The Company sees good opportunities for InnovoSIL™-1 in wound care and coatings on polymers that are used for catheters and endotracheal tubes. The Company has demonstrated that InnovoSIL™-1 exceeds industry standards for bacterial kill and duration of activity in several device applications. These findings have resulted in ongoing evaluations by several multinational companies. Such evaluations are very slow and usually cannot be accelerated.

In wound care applications, InnovoSIL™-1 has outperformed similar commercial products in activity against several common bacterial and fungal infections. The results were published in the International Journal of Antimicrobial Agents (see http://www.ijaaonline.com/article/S0924-8579%2814%2900295-7/abstract). The Company will continue its aggressive pursuit of licensing agreements with medical device companies.

Product development and clearing regulatory hurdles will take time, so Innovotech is not relying on revenue from InnovoSIL™ in its planning for 2015.

Additional Information

Additional information relating to Innovotech Inc. including its 2014 Audited Annual Financial Statements, is available on www.sedar.com.