



**Management Discussion and Analysis**

**Financial Statements**

*For the three and six months ended June 30, 2016 and 2015*

## **Management's Discussion and Analysis of Financial Condition and Results of Operations of Zomedica Pharmaceuticals Corp. for the Three and Six Months Ended June 30, 2016**

The following Management Discussion and Analysis ("MD&A") prepared as of August 23, 2016 should be read in conjunction with the June 30, 2016 unaudited condensed consolidated interim financial statements and related notes of Zomedica Pharmaceuticals Corp. ("Zomedica" or the "Company"). The unaudited condensed consolidated interim financial statements of Zomedica Pharmaceuticals Corp. and related notes as at June 30, 2016 were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and are presented in United States dollars unless otherwise noted. Unless stated otherwise, all references to "\$" are to United States dollars.

### **FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking statements" which include all statements other than statements of historical fact contained in this MD&A, such as statements that relate to Zomedica's current expectations and views of future events. Often, but not always, forward-looking statements can be identified by the use of words such as "may", "will", "expect", "anticipate", "predict", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to", "is/are projected to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. These forward-looking statements include, among other things, statements relating to expectations regarding future clinical trials, expectations regarding regulatory approvals, expectations regarding the safety and efficacy of its product, expectations regarding the use of its product and its revenue, expenses and operations, plans for and timing of expansion of its product and service offerings, future growth plans, ability to attract and develop and maintain relationships with suppliers, veterinarians/clinicians, etc., ability to attract and retain personnel, expectations regarding growth in its product markets, competitive position and its expectations regarding competition, ability to raise debt and equity capital to fund future product development, and anticipated trends and challenges in Zomedica's business and the markets in which it operates.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Zomedica to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A and Zomedica disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, unless required by applicable law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty in them.

### **OVERVIEW**

The Company was incorporated on January 7, 2013 under the *Business Corporations Act* (Alberta) as Wise Oakwood Ventures Inc. ("WOW") and was classified as a capital pool company, as defined in Policy 2.4 of the TSX Venture Exchange.

On April 21, 2016, the Company closed its qualifying transaction ("Transaction"), consisting of the acquisition of ZoMedica Pharmaceuticals Inc. ("ZoMedica") pursuant to a three-cornered amalgamation, whereby ZoMedica was amalgamated with 9674128 Canada Inc. (which was wholly-owned by WOW) and common shares and options of the Company were issued to the former holders of ZoMedica securities as consideration. The amalgamated company changed its name to Zomedica Pharmaceuticals Ltd. and WOW subsequently changed its name to Zomedica Pharmaceuticals Corp. Prior to completion of the Transaction, WOW consolidated its common shares on the basis of the one post-consolidation common share for every 2.5 pre-consolidation common shares. The transaction constituted WOW's qualifying transaction under TSX Venture Exchange Policy 2.4 – Capital Pool Companies. The shares of Zomedica Pharmaceuticals Corp. began trading on the TSX Venture Exchange under the new symbol "ZOM" on Monday May 2, 2016. On June 21, 2016, the Company filed Articles of Amalgamation and vertically amalgamated with its wholly-owned subsidiary, Zomedica Pharmaceuticals Ltd.

Zomedica has one corporate subsidiary, ZoMedica Pharmaceuticals Inc., a Delaware company whose results and operations are included in the unaudited condensed consolidated interim financial statements that accompany this MD&A. Zomedica is a veterinary pharmaceutical and healthcare solutions company created to develop solutions that are tailored to the needs of the companion animal veterinarian. Zomedica's head office is located at 3928 Varsity Drive, Ann Arbor, MI 48108 and its registered office is located at Suite 1250, 639 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0M9.

Zomedica's mission is to develop products that provide veterinarians the opportunity to better serve the animals in their care, while lowering costs, increasing productivity, and growing revenue. The clinical experience of the members of the leadership team has defined an unmet need for the practicing veterinarian and a niche in the animal health market. The initial product line of pharmaceuticals is at the core of that mission. However the needs of the veterinarian are not defined by product lines and there are tremendous opportunities for expanding beyond the core novel pharmaceuticals, into medical devices and diagnostics. Zomedica's plan is to become profitable through the contract manufacture and sales of veterinary pharmaceuticals, and in-licensing of devices and therapeutics that fill an unmet need. Zomedica's first product candidate, ZM-012, is an anti-infective therapeutic for companion animals. Zomedica's second product candidate, ZM-006, is a novel therapeutic targeting a metabolic disorder specific to the companion animal.

WOW's share capital, contributed surplus and deficit were all eliminated upon completion of the Transaction and the Transaction was accounted for as a reverse takeover. The Transaction is the equivalent of the issuance of shares by the resulting company for the net assets and listing status of the non-operating public company.

Following completion of the Transaction, a total of 79,430,716 common shares were issued and outstanding.

The goals for 2016, which the Company is actively endeavouring to accomplish, include the following:

- ✓ Obtain listing on the TSX Venture Exchange (completed)
- ✓ Initiate FDA Center for Veterinary Medicine regulatory process for first therapeutic (completed)
- ✓ File provisional application for patent of all relevant technology (completed)
- ✓ Initiate FDA Center for Veterinary Medicine regulatory process for second therapeutic (completed)
- Jointly develop IP with CTX Technology, Inc. for alternative drug delivery technology
- License or acquire technology for introduction into veterinary space
- Launch *Voice of the Vet*<sup>TM</sup> program to support customer-centric mission and focus on innovation

## **CORPORATE HIGHLIGHTS**

- On April 21, 2016, Zomedica completed its Qualifying Transaction ("Transaction") with ZoMedica. The shares of Zomedica began trading under the new symbol "ZOM" on Monday May 2, 2016 on the TSX Venture Exchange. Further information regarding Zomedica and the Transaction are set out in Zomedica's filing statement dated March 30, 2016 which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).
- On May 10, 2016, Zomedica announced that it opened its first Investigational New Animal Drug Application ("INAD") with the U.S. Food and Drug Administration Center for Veterinary Medicine ("FDA-CVM") for ZM-012, an anti-infective therapeutic for companion animals.
- On May 17, 2016, Zomedica announced the completion of a research collaboration agreement that includes an option for an exclusive worldwide animal health license with CTX Technology, Inc. for their peptide-based skin penetration platform technology.
- On July 12, 2016, Zomedica announced the filing of a U.S. provisional application for patent with the U.S. Patent and Trademark Office and opened an INAD with the FDA-CVM for a novel formulation of ZM-006, a pharmaceutical targeting a metabolic disorder in companion animals.

## SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for Zomedica as of and for the three and six months ended June 30, 2016 and June 30, 2015. These results were prepared in accordance with IFRS. All of the following information is reported in US dollars unless otherwise noted.

Statements of Loss and Comprehensive Loss	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Loss from operations	1,067,278	102,895	1,994,674	102,895
Loss and comprehensive loss	1,064,594	102,895	1,996,236	102,895
Loss per share - basic and diluted	0.01	0.00	0.03	0.00

Statement of Financial Position	As at	
	June 30, 2016	December 31, 2015
	\$	\$
Total Assets	2,411,371	3,860,334
Total Liabilities	312,897	146,289
Total Shareholders' equity	2,098,474	3,714,045

## RESULTS OF OPERATIONS

The following are selected financial information for the three and six months ended June 30, 2016 and June 30, 2015.

	Three months ended		Change	%	Six months ended		Change	%
	June 30, 2016	June 30, 2015			June 30, 2016	June 30, 2015		
	\$	\$			\$	\$		
<b>Expenses</b>								
Research and development	308,200	28,264	279,936	990%	529,912	28,264	501,648	1775%
General and administrative	276,863	32,690	244,173	747%	729,384	32,690	696,694	2131%
Professional fees	201,623	41,888	159,735	381%	446,460	41,888	404,572	966%
Listing expenses	272,354	-	272,354	N/A	272,354	-	272,354	N/A
Amortization	806	-	806	N/A	1,345	-	1,345	N/A
Depreciation	7,432	53	7,379	13923%	15,219	53	15,166	28615%
<b>Loss from operations</b>	<b>1,067,278</b>	<b>102,895</b>	<b>964,383</b>	<b>937%</b>	<b>1,994,674</b>	<b>102,895</b>	<b>1,891,779</b>	<b>1839%</b>
Foreign exchange loss (gain)	(2,684)	-	(2,684)	N/A	1,562	-	1,562	N/A
<b>Loss before income taxes</b>	<b>1,064,594</b>	<b>102,895</b>			<b>1,996,236</b>	<b>102,895</b>		
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
<b>Net loss and comprehensive loss for the period</b>	<b>1,064,594</b>	<b>102,895</b>	<b>961,699</b>	<b>935%</b>	<b>1,996,236</b>	<b>102,895</b>	<b>1,893,341</b>	<b>1840%</b>

### ***Research and Development***

Research and development (“R&D”) expenses are comprised of costs incurred in performing R&D activities, including salaries and benefits, safety and efficacy studies, contract research costs, contract manufacturing costs, patent procurement costs, materials and supplies and occupancy costs. R&D activities include internal and external activities associated with R&D studies of current products and advancing the products towards goals of obtaining regulatory approvals to manufacture and market these products in various jurisdictions.

Expenditures for R&D for the three months ended June 30, 2016 were higher by \$279,936 compared to the three months ended June 30, 2015. The increase was primarily due to the ramping up of R&D activities related to the establishment of a lab, the employment of full-time employees, intellectual property generation and contracted outsourcing activities, as ZoMedica was incorporated on May 14, 2015. The majority of the current period expenses related to salaries of \$228,436 as Zomedica ramped up activities in its lab including in vitro and in vivo work to support the further development of its intellectual property and preparation of opening its INAD for ZM-012 and ZM-006. The Company did not have a lab or R&D employees in the comparative period.

Expenditures for R&D for the six months ended June 30, 2016 were higher by \$501,648 compared to the six months ended June 30, 2015. The increase was primarily due to the ramping up of R&D activities related to the establishment of labs, full-time employees, intellectual property generation and contracted outsourcing activities. The majority of these current period expenses related to salaries of \$356,881 and consulting costs of \$78,324 as Zomedica ramped up activities in its lab including in vitro and in vivo work to support the further development of its intellectual property and preparation of opening its INAD for ZM-012 and ZM-006. Zomedica did not have a lab or R&D employees in the comparative period.

We expect that our R&D expenditures throughout 2016 will be higher as compared to the same periods in 2015, due to the ongoing preparation of clinical work to support the opened INADs as well as additional veterinary pharmaceutical candidates and technologies.

### ***General and Administrative***

General and administrative (“G&A”) expenses are comprised of salary and benefits for executive management and administrative staff, travel, insurance, share-based compensation expense and general office overhead.

Share-based compensation is recognized as an expense in the statement of loss and comprehensive loss based on the fair value of the share based payment awarded using the Black-Scholes option pricing model. Assumptions that affect the application of the fair value model include the determination of the volatility for Zomedica's common shares, risk-free interest rate, expected life of the options, dividend yield, common share price and strike price.

G&A expenses for the three months ended June 30, 2016 were higher by \$244,173 compared to the three months ended June 30, 2015. The increase was primarily due to the ramping up of business, as ZoMedica was incorporated on May 14, 2015. The majority of these current period expenses related to the addition of personnel accounting for salaries of \$163,357 and advertising expenses of \$35,142 associated with investor and public relations costs. A share-based compensation expense of \$2,058 was on account of the deemed issuance of stock options granted to directors and officers of WOW prior to the Transaction. These options were exercised immediately after the close of the Transaction.

G&A expenses for the six months ended June 30, 2016 were higher by \$696,694 compared to the six months ended June 30, 2015. The increase was primarily due to the ramping up of business, as ZoMedica was incorporated on May 14, 2015. The majority of these current period expenses related to the addition of personnel accounting for salaries of \$466,429, share-based compensation expense of \$148,390, and office costs of \$65,229. The share-based compensation expense is primarily on account of an annual grant of stock options issued on March 28, 2016.

Zomedica expects G&A expenditures throughout 2016 will be higher as compared to the same periods in 2015, due to the acceleration of activities subsequent to the closing of the Transaction and due to its listing as a Life Sciences Issuer on the TSX Venture Exchange.

### ***Professional Fees***

Professional fees are incurred for strategic exploration, veterinary understanding, regulatory inquiry and FDA-CVM consulting, product pipeline analysis, audit, legal work, securities consulting, government relations and investor relations services.

Professional fees for the three months ended June 30, 2016 were higher by \$159,735 compared to the three months ended June 30, 2015. The increase was primarily due to the ramping up of business and the use of various consultants including lawyers and accountants in establishing the initial operations, preparing Zomedica to execute the business plan, and the closing of the Transaction and due to its listing as a Life Sciences Issuer on the TSX Venture Exchange. ZoMedica was incorporated on May 14, 2015.

Professional fees for the six months ended June 30, 2016 were higher by \$404,572 compared to the six months ended June 30, 2015. The increase was primarily due to the ramping up of business and the use of various consultants including lawyers and accountants in establishing the initial operations, preparing Zomedica to execute the business plan, and the closing of the Transaction and due to its listing as a Life Sciences Issuer on the TSX Venture Exchange. ZoMedica was incorporated on May 14, 2015.

### ***Listing Expenses***

The acquisition of WOW is accounted at the fair value of the equity instruments of WOW issued to the shareholders of ZoMedica. The difference between the net assets acquired and the fair value of the consideration granted was treated as listing expenses. The listing expenses for the three and six months ended June 30, 2016 was \$272,354.

### ***Loss***

Zomedica recorded a loss for the three months ended June 30, 2016 of \$1,064,594 or \$0.01 per share, compared with a loss of \$102,895 or \$0.00 per share for the three months ended June 30, 2015. For the three months ended June 30, 2016, the loss was attributed to the R&D expenses of \$308,200, the G&A expenses of \$276,863, listing expenses of \$272,354 and professional fees of \$201,623, with no revenues as Zomedica does not currently have an approved product. For the three months ended June 30, 2015, the loss was attributed to the professional fees of \$41,888, the G&A expenses of \$32,690 and the R&D expenses of \$28,264.

Zomedica recorded loss for the six months ended June 30, 2016 of \$1,996,236 or \$0.03 per share, compared with a loss of \$102,895 or \$0.00 per share for the three months ended June 30, 2015. For the six months ended June 30, 2015, the loss was attributed to the G&A expenses of \$729,384, R&D expenses of \$529,912, professional fees of \$446,460 and listing expenses of \$272,354, with no revenues as Zomedica does not currently have an approved product.

## **SUMMARY OF RESULTS**

<b>Period Ended</b>	<b>Basic and diluted net loss</b>	
	<b>Net loss</b>	<b>per common share</b>
	<b>\$</b>	<b>\$</b>
June 30, 2016	1,064,594	0.01
March 31, 2016	931,642	0.01
Inception to December 31, 2015	1,520,536	0.03

It is important to note that historical patterns of revenue and expenditures cannot be taken as an indication of future revenue and expenditures. Net loss has been variable and has been impacted primarily by the availability of funding, the level of our R&D spending, and start-up costs.

The net loss in the second quarter of 2016 of \$1,064,594 was attributed to the R&D expenses of \$308,200, the G&A expenses of \$276,863, listing expenses of \$272,354 and the professional fees of \$201,623. The net loss in the first quarter of 2016 of \$931,642 was attributed to the ongoing R&D expenses of \$221,712, the G&A expenses of \$452,521, and professional fees of \$244,837, with no revenues as Zomedica does not currently have an approved product. The net loss from inception to December 31, 2015 of \$1,520,536 or \$0.03 per share was attributed to the R&D expenses

of \$505,369, the G&A expenses of \$341,239, and professional fees of \$672,138. A significant portion of these expenses were paid in shares issued for services of \$652,705.

## LIQUIDITY AND CAPITAL RESOURCES

	Three months ended				Six months ended			
	June 30,	June 30,	Change		June 30,	June 30,	Change	
	2016	2015	\$	%	2016	2015	\$	%
Cash flows used in operating activities	(822,183)	(37,928)	(784,255)	2068%	(1,438,195)	(37,928)	(1,400,267)	3692%
Cash flows used in financing activities	31,403	67,150	(35,747)	-53%	26,715	67,150	(40,435)	-60%
Cash flows used in investing activities	(18,275)	(2,385)	(15,890)	666%	(98,581)	(2,385)	(96,196)	4033%
Decrease in cash	(809,055)	26,837	(835,892)	-3115%	(1,510,061)	26,837	(1,536,898)	-5727%
Cash and cash equivalents, beginning of period	2,542,704	-	2,542,704	N/A	3,243,710	-	3,243,710	N/A
Cash and cash equivalents, end of period	1,733,649	26,837	1,706,812	6360%	1,733,649	26,837	1,706,812	6360%

Zomedica had cash of \$1,733,649 as at June 30, 2016. The decrease in cash during the three months ended June 30, 2016 is mainly a result of the cash flows used in operating activities as discussed below.

Cash flows used in operating activities for the three and six months ended June 30, 2016 amounted to \$822,183 and \$1,438,195, respectively, compared to the three and six months ended June 30, 2015 of \$37,928 and \$37,928, respectively. The largest use of cash within the operating activities in the current periods was for employees' wages and benefits, and various consultants related to the Transaction. There were no employees during the prior periods. Zomedica did not have an approved product and therefore did not have revenues.

Cash flows from financing activities for the three and six months ended June 30, 2016 were \$31,403 and \$26,715, respectively, compared to the three and six months ended June 30, 2015 of \$67,150 and \$67,150, respectively. The current period cash flows relate to the cash acquired from the Transaction, partially offset by the cash paid for the stock issuance. The prior period cash flows relate to proceeds received as investor deposits.

Cash flows used in investing activities for the three and six months ended June 30, 2016 amounted to \$18,275 and \$98,581, respectively, compared to the three and six months ended June 30, 2015 of \$2,385 and \$2,385, respectively. The current period cash flows related mainly to the investment in research equipment in support of the expanding R&D activities.

Working capital (defined as current assets minus current liabilities) was \$1,596,147 as at June 30, 2016. This was primarily due to cash of \$1,733,649 partially offset by accounts payables and accrued liabilities of \$306,171.

Zomedica expects to satisfy operating cash requirements over the next twelve months from cash on hand, through managing operating expense levels, from proceeds of equity and/or debt financings and/or new strategic partnership agreements to fund some or all costs of development.

Zomedica will need additional capital to fund additional R&D activities and to fund any significant expansion of operations. Potential sources of capital could include equity and/or debt financings, development agreements or marketing license agreements, the collection of revenues resulting from future commercialization activities and/or new strategic partnership agreements to fund some or all costs of development, although there can be no assurance that Zomedica will be able to obtain any such capital on terms or in amounts sufficient to meet needs or at all. The availability of equity or debt financing will be affected by, among other things, the results of R&D, the ability to obtain

regulatory approvals, the market acceptance of Zomedica's product(s), the state of the capital markets generally, strategic alliance agreements and other relevant commercial considerations. In addition, if Zomedica raises additional funds by issuing equity securities, the existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require Zomedica to agree to operating and financial covenants that would restrict operations. In the event that Zomedica does not obtain additional capital, there may be substantial doubt about its ability to continue as a going concern and realize assets and pay liabilities as they become due. Any failure on Zomedica's part to raise additional funds on terms favorable to Zomedica or at all, may require Zomedica to significantly change or curtail current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in not taking advantage of business opportunities, in the termination or delay of safety and efficacy studies for product, in curtailment of product development programs designed to identify new products, in the sale or assignment of rights to technologies, product, and/or inability to file regulatory approval applications at all or in time to competitively market product.

## **OUTSTANDING SHARE INFORMATION**

The number of common shares outstanding as of June 30, 2016 was 79,430,716, an increase of 2,060,000 from December 31, 2015 (1,900,000 due to the reverse takeover, 80,000 due to shares issued for services, and 80,000 issued due to share options exercised). The number of stock options outstanding as of June 30, 2016 was 4,500,000, an increase of 3,500,000 from December 31, 2015 due to options that were granted to employees, directors, officers and consultants. As at August 23, 2016, Zomedica had 79,830,716 common shares issued and outstanding, an increase of 400,000 due to the exercise of stock options in the subsequent period.

## **OFF BALANCE SHEET ARRANGEMENTS**

Zomedica has no off-balance sheet arrangements.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### ***IFRS 9, Financial Instruments (IFRS 9)***

IFRS 9 was issued by the International Accounting Standards Board in October 2010 and will replace International Accounting Standard ("IAS") IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 9 will have on Zomedica's financial statements.

## **RELATED PARTY TRANSACTIONS**

Details of the transactions between Zomedica, key management and other related parties are disclosed below.

- During the three and six months ended June 30, 2016, a director and executive officer was paid \$6,726 and \$2,013, respectively, to Zomedica, which was recorded as shareholder loans payable as at June 30, 2016.
- During the three and six months ended June 30, 2015, Zomedica loaned \$7,850 to a director and executive officer \$7,850 and \$7,850, respectively, which was recorded as an employee advance in the statement of financial position as at June 30, 2015.

Key management includes Zomedica's directors and executive officers. The remuneration of directors and the senior management team for the period ended June 30, 2016 was as follows:



	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Salaries	228,750	-	398,206	-
Share-based compensation	-	-	117,180	-
	<u>228,750</u>	<u>-</u>	<u>515,386</u>	<u>-</u>

## FINANCIAL INSTRUMENTS

### *Credit risk*

Credit risk is the risk of a financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligation. Zomedica is exposed to credit risk on its cash balances. Zomedica's cash management policies include ensuring that cash is deposited in FDIC member banks and Canadian chartered banks.

### *Market risk*

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices. Zomedica's cash includes cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

### *Liquidity risk*

Liquidity risk is the risk that Zomedica may not be able to generate sufficient cash resources to settle its obligations as they fall due. Zomedica's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, and cash flow provided by financing activities. As at June 30, 2016, Zomedica had working capital of \$1,596,147.

### *Fair value risk*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of Zomedica's cash, other receivables, due from related parties, accounts payable and accrued liabilities, shareholder loans payable are estimated by management to approximate their carrying values due to their short-term nature. Loans payable are also fairly reflected by its book value as they have been financed at interest rates which are similar to current market interest rates.

## SUBSEQUENT EVENTS

During the period subsequent to June 30, 2016, 400,000 stock options were exercised at an exercise price of CDN\$0.05 per share.

# **Zomedica Pharmaceuticals Corp.**

Condensed consolidated interim financial statements

(Unaudited - expressed in United States Dollars)

**For the three and six months ended June 30, 2016 and 2015**

# Zomedica Pharmaceuticals Corp.

Condensed consolidated interim statements of financial position  
(Unaudited - in United States dollars)

	Note	June 30, 2016	December 31, 2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 1,733,649	\$ 3,243,710
Prepaid expenses		99,261	151,492
Deposits		53,097	37,578
Trade and other receivable		23,037	-
		<b>1,909,044</b>	<b>3,432,780</b>
Deposits		8,732	15,976
Property and equipment	5	174,312	100,561
Intangibles	6	319,283	311,017
		<b>\$ 2,411,371</b>	<b>\$ 3,860,334</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		\$ 306,171	\$ 141,576
Shareholder loans payable	13	6,726	4,713
		<b>312,897</b>	<b>146,289</b>
<b>Shareholders' equity:</b>			
Share capital	7	5,449,024	5,214,691
Share-based payment reserve	8	166,222	19,890
Deficit		(3,516,772)	(1,520,536)
		<b>2,098,474</b>	<b>3,714,045</b>
		<b>\$ 2,411,371</b>	<b>\$ 3,860,334</b>

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

# Zomedica Pharmaceuticals Corp.

Condensed consolidated interim statements of loss and comprehensive loss  
(Unaudited - in United States dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
<b>Expenses:</b>					
Research and development	10	\$ 308,200	\$ 28,264	\$ 529,912	\$ 28,264
General and administrative	10	276,863	32,690	729,384	32,690
Professional fees	10	201,623	41,888	446,460	41,888
Listing expenses	14	272,354	-	272,354	-
Amortization	6	806	-	1,345	-
Depreciation	5	7,432	53	15,219	53
Loss from operations		1,067,278	102,895	1,994,674	102,895
Foreign exchange loss (gain)		(2,684)	-	1,562	-
<b>Loss before income taxes</b>		<b>1,064,594</b>	<b>102,895</b>	<b>1,996,236</b>	<b>102,895</b>
Income tax expense		-	-	-	-
<b>Net loss and comprehensive loss</b>		<b>\$ 1,064,594</b>	<b>\$ 102,895</b>	<b>\$ 1,996,236</b>	<b>\$ 102,895</b>
Weighted average number of common shares	12	79,430,716	37,343,100	79,430,716	37,343,100
Loss per share - basic and diluted	12	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)

Nature of operations (Note 1)  
Commitments and contingencies (Note 9)

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

## Zomedica Pharmaceuticals Corp.

Condensed consolidated interim statements of changes in equity  
(Unaudited - in United States dollars)

	Note	Number of common shares	Share capital	Share-based payment reserve	Deficit	Total
Balance at December 31, 2015		77,370,716	\$ 5,214,691	\$ 19,890	\$ (1,520,536)	\$ 3,714,045
Share issuance due to reverse takeover, net of cost	7	1,900,000	196,534	-	-	196,534
Share issuance for services	7	80,000	15,741	-	-	15,741
Share-based compensation	8	-	-	148,390	-	148,390
Shares issued due to exercise of options	7	80,000	22,058	(2,058)	-	20,000
Net loss for the period		-	-	-	(1,996,236)	(1,996,236)
<b>Balance at June 30, 2016</b>		<b>79,430,716</b>	<b>\$ 5,449,024</b>	<b>\$ 166,222</b>	<b>\$ (3,516,772)</b>	<b>\$ 2,098,474</b>

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

# Zomedica Pharmaceuticals Corp.

Condensed consolidated interim statements of cash flows  
(Unaudited - in United States dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2016	2015	2016	2015
<b>Cash flows used in operating activities:</b>					
Net loss for the period		\$ (1,064,594)	\$ (102,895)	\$ (1,996,236)	\$ (102,895)
Adjustments for					
Depreciation	5	7,432	53	15,219	53
Amortization	6	806	-	1,345	-
Share-based compensation	8	2,058	-	148,390	-
Shares issued for professional fees	7	15,741	-	15,741	-
Listing expenses	14	272,354	-	272,354	-
Change in non-cash operating working capital					
Prepaid expenses		(11,738)	-	14,066	-
Deposits		(12,201)	(17,175)	(8,275)	(17,175)
Other receivable		(20,309)	-	(25,147)	-
Accounts payable and accrued liabilities		(11,732)	82,089	124,348	82,089
		<b>(822,183)</b>	<b>(37,928)</b>	<b>(1,438,195)</b>	<b>(37,928)</b>
<b>Cash flows from financing activities:</b>					
Repayments (advances) of shareholder loan	13	6,701	(7,850)	2,013	(7,850)
Cash received from reverse takeover	14	108,966	-	108,966	-
Proceeds from investor deposits		-	75,000	-	75,000
Cash paid for stock issuance cost	7, 14	(84,264)	-	(84,264)	-
		<b>31,403</b>	<b>67,150</b>	<b>26,715</b>	<b>67,150</b>
<b>Cash flows used in investing activities:</b>					
Investment in intangibles	6	-	-	(9,611)	-
Investment in property and equipment	5	(18,275)	(2,385)	(88,970)	(2,385)
		<b>(18,275)</b>	<b>(2,385)</b>	<b>(98,581)</b>	<b>(2,385)</b>
<b>Increase (decrease) in cash</b>		<b>(809,055)</b>	<b>26,837</b>	<b>(1,510,061)</b>	<b>26,837</b>
Cash, beginning of period		2,542,704	-	3,243,710	-
<b>Cash, end of period</b>		<b>\$ 1,733,649</b>	<b>\$ 26,837</b>	<b>\$ 1,733,649</b>	<b>\$ 26,837</b>

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

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited - in United States dollars)

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## 1. Nature of operations

Zomedica Pharmaceuticals Corp. (the "Company" or "Zomedica") was incorporated on January 7, 2013 under the *Business Corporations Act* (Alberta) as Wise Oakwood Ventures Inc. ("WOW") and was classified as a capital pool company, as defined in Policy 2.4 of the TSX Venture Exchange.

On April 21, 2016, the Company closed its qualifying transaction ("Transaction"), consisting of the acquisition of ZoMedica Pharmaceuticals Inc. ("ZoMedica") pursuant to a three-cornered amalgamation, whereby ZoMedica was amalgamated with 9674128 Canada Inc. (which was wholly-owned by WOW) and common shares and options of the Company were issued to the former holders of ZoMedica securities as consideration. The amalgamated company changed its name to Zomedica Pharmaceuticals Ltd. and WOW subsequently changed its name to Zomedica Pharmaceuticals Corp. Prior to completion of the Transaction WOW consolidated its common shares on the basis of the one post-consolidation common share for every 2.5 pre-consolidation common shares. The transaction constituted WOW's qualifying transaction under TSX Venture Exchange Policy 2.4 – Capital Pool Companies. The shares of Zomedica Pharmaceuticals Corp. began trading on the TSX Venture Exchange under the new symbol "ZOM" on Monday, May 2, 2016. On June 21, 2016, the Company filed Articles of Amalgamation and vertically amalgamated with its wholly-owned subsidiary, Zomedica Pharmaceuticals Ltd.

Zomedica has one corporate subsidiary, ZoMedica Pharmaceuticals, Inc., a Delaware company whose results and operations are included in the unaudited consolidated financial statements that accompany this MD&A. Zomedica is a veterinary pharmaceutical and healthcare solutions company created to develop solutions that are tailored to the needs of the companion animal veterinarian. Zomedica's head office is located at 3928 Varsity Drive, Ann Arbor, MI 48108 and its registered office is located at Suite 1250, 639 – 5th Avenue S.W., Calgary, Alberta T2P 0M9.

## 2. Statement of Compliance and Going concern

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the accounting policies.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$3,516,772 as at June 30, 2016. The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at June 30, 2016, the Company had current assets of \$1,909,044 to cover current liabilities of \$312,897.

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2016 and 2015  
(Unaudited - in United States dollars)

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## 3. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and should be read in conjunction with the most recent audited annual consolidated financial statements ("Annual Financial Statements") for the year ended December 31, 2015. These interim financial statements follow the same accounting policies and methods of application as the annual financial statements, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective January 1, 2016.

The interim financial statements were approved by the Board of Directors on August 23, 2016.

## 4. Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the condensed consolidated interim financial statements.

### *Functional and presentations currencies*

The Company's and subsidiary's functional currency, as determined by management, is US dollars, which is also the Company's presentation currency.

### *Adoption of new accounting standards*

Effective January 1, 2016, the following new or amended accounting standards were effective for the Company:

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), requiring increased disclosure regarding derecognition of financial assets and the continuing involvement.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"), which includes amendments to further encourage companies to apply judgment in determining what information to disclose in their financial statements.

The adoption of these standards had no impact on the Company's results of operations, financial position or disclosures.

### *Standards, amendments and interpretations issued and not yet effective*

The International Accounting Standards Board has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

#### IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 (2014) as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company has yet to assess the impact of the new standard on its results of operations, financial position and disclosures.



# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited - in United States dollars)

## 5. Property and equipment

	Computer equipment	Furniture and equipment	Laboratory equipment	Leasehold improvements	Total
<b>Cost</b>					
Balance at December 31, 2015	\$ 51,795	\$ 7,364	\$ 32,665	\$ 14,735	\$ 106,559
Additions	2,638	-	81,832	4,500	88,970
Balance at June 30, 2016	54,433	7,364	114,497	19,235	195,529
<b>Accumulated depreciation</b>					
Balance at December 31, 2015	3,163	438	1,578	819	5,998
Depreciation	5,112	526	8,082	1,499	15,219
Balance at June 30, 2016	8,275	964	9,660	2,318	21,217
<b>Net book value as at:</b>					
December 31, 2015	\$ 48,632	\$ 6,926	\$ 31,087	\$ 13,916	\$ 100,561
June 30, 2016	\$ 46,158	\$ 6,400	\$ 104,837	\$ 16,917	\$ 174,312

## 6. Intangible assets

	Computer software	Trademarks	Intellectual property	Total
<b>Cost</b>				
Balance at December 31, 2015	\$ 5,143	\$ 6,625	\$ 300,000	\$ 311,768
Additions	-	9,611	-	9,611
Balance at June 30, 2016	5,143	16,236	300,000	321,379
<b>Accumulated amortization</b>				
Balance at December 31, 2015	714	37	-	751
Amortization	858	487	-	1,345
Balance at June 30, 2016	1,572	524	-	2,096
<b>Net book value as at:</b>				
December 31, 2015	\$ 4,429	\$ 6,588	\$ 300,000	\$ 311,017
June 30, 2016	\$ 3,571	\$ 15,712	\$ 300,000	\$ 319,283

The Company's intellectual property is comprised of various matters, including but not limited to business plans and concepts, business development work, market research, pre-incorporation activities and other ideas, knowledge, concepts and property that are integral to the proposed business of Zomedica.

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2016 and 2015  
(Unaudited - in United States dollars)

## 7. Share capital

**Authorized** - Unlimited number of common shares without par value.

### Issued and outstanding common shares:

	Number of common shares	Share capital
Balance at December 31, 2015	77,370,716	\$ 5,214,691
Shares issued to effect the reverse takeover (note 14)	1,900,000	373,207
Shares issued due to exercise of options	80,000	22,058
Shares issued for services	80,000	15,741
Share issuance costs	-	(176,673)
<b>Balance at June 30, 2016</b>	<b>79,430,716</b>	<b>\$ 5,449,024</b>

Shares issued for services relate to finders fees paid to Everfront Capital Corp. and were recorded based on the value of the shares issued using the Company's most recent financing value per share completed.

## 8. Share-based payments

During the six months ended June 30, 2016, the Company issued 3,500,000 stock options, each option entitling the holder to purchase one common share of the Company. The Company also had 80,000 options deemed to be issued as part of the qualifying transaction disclosed in Note 14. These options were exercised immediately after the close of the qualifying transaction on April 21, 2016. The stock options vested immediately on the date of issuance. The continuity of the issuance of stock options are as follows:

	Number of Options	Weighted Avg Exercise Price (CDN\$)
Balance at December 31, 2015	1,000,000	\$ 0.05
Options issued	3,500,000	0.25
Options deemed to be issued through reverse takeover	80,000	0.25
Options exercised	(80,000)	0.25
<b>Balance at June 30, 2016</b>	<b>4,500,000</b>	<b>\$ 0.21</b>

As at June 30, 2016, details of the issued stock options are as follows:

Grant date	Exercise price (CDN\$)	Number of options	Number of vested options	Weighted Avg Remaining Life (years)
July 31, 2015	\$ 0.05	1,000,000	1,000,000	4.09
March 28, 2016	\$ 0.25	3,500,000	3,500,000	1.81

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited - in United States dollars)

## 8. Share-based payments *(continued from previous page)*

The fair value of options granted as well as the deemed issuance of options during the six months period ended June 30, 2016 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	March 28, 2016	April 21, 2016
Volatility	63%	63%
Risk-free interest rate	0.56%	1.12%
Expected life	2.06 years	1 year
Dividend yield	0%	0%
Common share price	CDN \$0.20	CDN \$0.20
Strike price	CDN \$0.25	CDN \$0.25
Forfeiture rate	nil	nil

The Company recorded \$148,390 of share-based compensation for the six-month period ended June 30, 2016 and \$2,058 for the three-month period ended June 30, 2016. (\$ nil – 2015). \$2,058 of share-based payment reserve was reclassified to share capital due to the exercise of options.

Volatility is determined based on volatilities of comparable companies as the Company does not have sufficient trading history.

## 9. Commitments and Contingencies

Total future annual lease payments for the premises are as follows:

2017	51,414
2018	34,784
2019 and thereafter	-
<u>Total</u>	<u>\$ 86,198</u>

The Company is also committed to pay \$25,326 in annual lease payments until December 31, 2016.

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2016 and 2015

(Unaudited - in United States dollars)

## 10. Schedule of expenses

	For the three months ended June 30, 2016			For the three months ended June 30, 2015		
	Research and Development	Professional Fees	General and Administrative	Research and Development	Professional Fees	General and Administrative
Salaries	\$ 228,436	\$ -	\$ 163,357	\$ -	\$ -	\$ -
Advertising	-	-	35,142	-	-	-
Travel and accomodation	-	-	12,360	-	-	15,852
Insurance	11,445	-	26,512	-	-	600
Office	4,958	-	9,903	-	-	16,238
Consultant	29,798	201,623	22,365	28,264	41,888	-
Rent	4,816	-	7,224	-	-	-
Supplies	28,747	-	-	-	-	-
<b>Total</b>	<b>\$ 308,200</b>	<b>\$ 201,623</b>	<b>\$ 276,863</b>	<b>\$ 28,264</b>	<b>\$ 41,888</b>	<b>\$ 32,690</b>

  

	For the six months ended June 30, 2016			For the six months ended June 30, 2015		
	Research and Development	Professional Fees	General and Administrative	Research and Development	Professional Fees	General and Administrative
Salaries	\$ 356,881	\$ -	\$ 466,429	\$ -	\$ -	\$ -
Advertising	-	-	77,572	-	-	-
Travel and accomodation	-	-	31,652	-	-	15,852
Insurance	22,018	-	51,689	-	-	600
Office	5,683	-	65,229	-	-	16,238
Consultant	78,324	446,460	22,365	28,264	41,888	-
Rent	9,632	-	14,448	-	-	-
Supplies	57,374	-	-	-	-	-
<b>Total</b>	<b>\$ 529,912</b>	<b>\$ 446,460</b>	<b>\$ 729,384</b>	<b>\$ 28,264</b>	<b>\$ 41,888</b>	<b>\$ 32,690</b>

## 11. Capital risk management

The capital of the Company includes equity, which is comprised of issued common share capital, share based payment reserve, and deficit. The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities.

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2016 and 2015  
(Unaudited - in United States dollars)

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## 12. Loss per share

For the above-mentioned period, the Company had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted loss per share in the period presented, as their effect would have been anti-dilutive.

## 13. Related party transactions and key management compensation

During the three month period ended June 30, 2016, the Company received \$6,701 from a director and executive officer, which was recorded as shareholder loans payable as at December 31, 2015. During the three month period ended June 30, 2015, the Company loaned \$7,850 to a director and executive officer, which was recorded as an employee advance in the statement of financial position as at June 30, 2015.

During the six month period ended June 30, 2016, the Company received \$2,013 from a director and executive officer, which was recorded as shareholder loans payable as at December 31, 2015. During the six month period ended June 30, 2015, the Company loaned \$7,850 to a director and executive officer, which was recorded as an employee advance in the statement of financial position as at June 30, 2015.

Key management personnel consist of the Company's directors and executive officers. In addition to their salaries, key management personnel also receive share-based compensation. Key management personnel compensation is as follows:

	For three months ended June 30,		For six months ended June 30,	
	2016	2015	2016	2015
Salaries	\$ 228,750	\$ -	\$ 398,206	\$ -
Share-based compensation	-	-	117,180	-
Total	\$ 228,750	\$ -	\$ 515,386	\$ -

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2016 and 2015  
(Unaudited - in United States dollars)

## 14. Reverse takeover

On April 21, 2016, Wise Oakwood Ventures Inc. ("WOW"), a corporation existing under the laws of the Province of Alberta, closed its qualifying transaction with ZoMedica Pharmaceuticals Inc. The transaction proceeded by way of a three-cornered amalgamation, pursuant to which ZoMedica Pharmaceuticals Inc. amalgamated with 9674128 Canada Inc., a wholly-owned subsidiary of WOW formed solely for the purposes of facilitating the transaction. The amalgamated company changed its name to Zomedica Pharmaceuticals Ltd. The transaction constituted WOW's qualifying transaction under TSX Venture Exchange Policy 2.4 – *Capital Pool Companies*.

In accordance with the approvals of the Company's shareholders at its annual and special meeting on April 21, 2016, WOW changed its name to Zomedica Pharmaceuticals Corp. and completed the consolidation of its outstanding common shares on a two and one-half (2½) pre-consolidated share for each one (1) post-consolidated share basis. As a result of the transaction, Zomedica Pharmaceuticals Ltd. became a wholly-owned subsidiary of Zomedica Pharmaceuticals Corp. The shares of Zomedica Pharmaceuticals Corp. began trading under the new symbol "ZOM" on Monday, May 2, 2016 on the TSX Venture Exchange.

WOW's share capital of CDN \$309,589, contributed surplus of CDN \$32,467 and deficit of CDN \$232,984 were all eliminated and the transaction was accounted for as a reverse takeover. The transaction is the equivalent of the issuance of shares by the resulting company for the net assets and listing status of the non-operating public company.

As part of the transaction, WOW's previously issued 200,000 stock options were deemed to be converted to 80,000 post consolidation options. These options were exercised immediately after the close of the qualifying transaction as disclosed in Note 8.

		CDN	USD
Deemed issuance of 1,900,000 Zomedica Pharmaceuticals Corp.	\$	475,000	\$ 373,207
Deemed issuance of 80,000 options		2,737	2,058
Total deemed issuance	\$	477,737	\$ 375,265
Cash	\$	138,687	\$ 108,966
Prepaid fees		94,778	74,467
Accounts payable and accrued liabilities		(102,485)	(80,522)
Listing expenses		346,757	272,354
	\$	477,737	\$ 375,265

## 15. Vertical amalgamation

On June 21, 2016, Zomedica Pharmaceuticals Corp. amalgamated with Zomedica Pharmaceuticals Ltd. as Zomedica Pharmaceuticals Corp. (the "Amalgamated Corporation") pursuant to Section 184(1) of the *Business Corporations Act* (Alberta). As a result of the transaction, Zomedica Pharmaceuticals Inc., a Delaware incorporated has become a wholly-owned subsidiary of the Amalgamated Corporation.

## 16. Subsequent events

Subsequent to June 30, 2016, 400,000 options were exercised at an exercise price of CDN \$0.05 per share.