



**Management Discussion and Analysis**

**Financial Statements**

*For the three and six months ended June 30, 2017 and 2016*

## **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, 2017**

The following Management Discussion and Analysis (“MD&A”) prepared as of August 10, 2017 should be read in conjunction with the June 30, 2017 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 and related notes as of June 30, 2017 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board 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”, 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, 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, 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 (“TSX-V”).

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-V Policy 2.4 – *Capital Pool Companies*. The shares of Zomedica Pharmaceuticals Corp. began trading on the TSX-V 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 these condensed unaudited interim consolidated financial statements that accompany this MD&A. Zomedica is a veterinary pharmaceutical and health care 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 founding 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 a novel tablet formulation of metronidazole, an anti-infective for the treatment of diarrhea in canines (dogs) not yet approved by the U.S. Food and Drug Administration Center for Veterinary Medicine ("FDA-CVM") for veterinary use, but commonly prescribed by veterinarians using human-approved products. The second product candidate, ZM-006, is a transdermal gel that delivers its active pharmaceutical ingredient, methimazole, which is commonly used in veterinary medicine to treat hyperthyroidism in felines (cats). Zomedica's third product candidate, ZM-007, is an oral suspension formulation of metronidazole for accurate dosing of small dog breeds and puppies. The fourth product candidate, ZM-011 is a transdermal gel of fluoxetine, Prozac®, commonly prescribed to treat cat behavioral disorders such as inappropriate urination. Zomedica is also testing the feasibility of a liquid biopsy technology to detect circulating tumor cells as a canine cancer diagnostic.

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.

Corporate goals for 2017, which the Company is actively endeavouring to accomplish, include the following:

- Acquire or develop IP for alternative drug delivery technology
- License or acquire diagnostic technology for introduction into veterinary space
- Cross list to a U.S. exchange
- Finalize formulation and initiate pilot study for ZM-006
- Finalization of formulation of ZM-007
- Finalization of formulation of ZM-011
- Release clinical data on pilot study for ZM-012
- Initiate pivotal study for ZM-012
- Validation of liquid biopsy technology for veterinary application as a canine cancer diagnostic

## **CORPORATE HIGHLIGHTS**

- On April 10, 2017, Zomedica announced the closing of the second and final tranche of a previously announced non-brokered private placement offering, issuing 2,902,682 common shares at a price of CDN\$1.50 for aggregate gross proceeds of approximately CDN\$4,354,025 or \$3,250,000.
- On April 24, 2017, Zomedica announced that it has filed a registration statement with the U.S. Securities and Exchange Commission on Form S-1 relating to the resale or other disposition by selling shareholders of up to 76,625,742 of its common shares and will seek approval for listing on the NYSE American.
- On June 2, 2017, Zomedica announced that all ordinary and special resolutions were passed at the Annual and Special Meeting of Shareholders, with the following seven nominees re-elected as Directors of the Company: Gerald Solensky Jr., Shameze Rampertab, Jeffrey Rowe, James LeBar, Rodney Williams, Thomas Robitaille, and Jane Eagleson.

- On July 10, 2017, Zomedica announced that Bruk Herbst has joined the Company as Chief Commercial Officer. Mr. Herbst brings more than 20 years of experience, including service as Executive Senior Vice President of Sales and Marketing at i4C Innovations, and Executive Senior Director and Head of U.S. Sales at IDEXX Laboratories.
- On July 28, 2017, Zomedica announced the first closing of a non-brokered private placement offering, issuing 1,502,691 common shares at a price of CDN\$2.75 for aggregate gross proceeds of approximately CDN\$4,132,400 or \$3,320,000.

## 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, 2017 and June 30, 2016. 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, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	\$	\$	\$	\$
Loss from operations	1,590,985	1,067,278	3,437,002	1,994,674
Net loss and comprehensive loss	1,588,370	1,064,594	3,421,106	1,996,236
Loss per share - basic and diluted	0.02	0.01	0.04	0.03

Statement of Financial Position	As at	
	June 30, 2017	December 31, 2016
	\$	\$
Total Assets	4,686,708	4,875,558
Total Liabilities	511,403	741,157
Total Shareholders' equity	4,175,305	4,134,401

## RESULTS OF OPERATIONS

The following are selected financial information for the three and six months ended June 30, 2017 and June 30, 2016.

	Three months ended				Six months ended			
	June 30, 2017	June 30, 2016	Change		June 30, 2017	June 30, 2016	Change	
	\$	\$	\$	%	\$	\$	\$	%
<b>Expenses</b>								
Research and development	504,235	308,200	196,035	64%	1,120,684	529,912	590,772	111%
General and administrative	748,610	276,863	471,747	170%	1,575,635	729,384	846,251	116%
Professional fees	314,658	201,623	113,035	56%	696,194	446,460	249,734	56%
Listing expenses	-	272,354	(272,354)	-100%	-	272,354	(272,354)	-100%
Amortization	700	806	(106)	-13%	1,399	1,345	54	4%
Depreciation	22,782	7,432	15,350	207%	43,090	15,219	27,871	183%
<b>Loss from operations</b>	<b>1,590,985</b>	<b>1,067,278</b>	<b>523,707</b>	<b>49%</b>	<b>3,437,002</b>	<b>1,994,674</b>	<b>1,442,328</b>	<b>72%</b>
Gain on settlement of liabilities	-	-	-	N/A	(5,000)	-	(5,000)	N/A
Foreign exchange loss (gain)	(2,615)	(2,684)	69	-3%	(10,896)	1,562	(12,458)	-798%
<b>Loss before income</b>	<b>1,588,370</b>	<b>1,064,594</b>	<b>523,776</b>	<b>49%</b>	<b>3,421,106</b>	<b>1,996,236</b>	<b>1,424,870</b>	<b>71%</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</b>	<b>1,588,370</b>	<b>1,064,594</b>	<b>523,776</b>	<b>49%</b>	<b>3,421,106</b>	<b>1,996,236</b>	<b>1,424,870</b>	<b>71%</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, 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, 2017 were higher by \$196,035 compared to the three months ended June 30, 2016. The increase was primarily due to the ramping up of R&D activities related to the establishment of labs, the hiring of full-time employees, new product candidates development, and contracted outsourcing activities, as ZoMedica was incorporated on May 14, 2015. The increases were primarily due to salaries of \$189,091, contracted outsourced activities of \$111,450 and consultant fees of \$76,005 relating to an increased level of lab activities, including in vitro and in vivo work, to support the further development of its product candidates ZM-012, ZM-006, ZM-007 and ZM-011, as well as research testing the feasibility of the liquid biopsy technology for veterinary application as a canine cancer diagnostic.

Expenditures for R&D for the six months ended June 30, 2017 were higher by \$590,772 compared to the six months ended June 30, 2016. 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 \$360,002, outsourced activities of \$359,295 and consultant fees of \$168,449 relating to an increased level of lab activities, including in vitro and in vivo work, to support the further development of its product candidates ZM-012, ZM-006, ZM-007 and ZM-011, as well as research testing the feasibility of the liquid biopsy technology for veterinary application as a canine cancer diagnostic.

We expect that our R&D expenditures in 2017 will be significantly higher than in 2016, due to the initiation of pilot and pivotal studies to support the opened Investigational New Animal Drug applications, as well as work related to additional veterinary pharmaceutical candidates, diagnostic developments 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, and common share price and strike price.

G&A expenses for the three months ended June 30, 2017 were higher by \$471,747 compared to the three months ended June 30, 2016. The increase was primarily due to the ongoing 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 \$414,567. Other expenses included travel and accommodation of \$100,443 and marketing and investor relations costs of \$63,084.

G&A expenses for the six months ended June 30, 2017 were higher by \$846,251 compared to the six months ended June 30, 2016. The increase was primarily due to the ongoing 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 \$971,430, which included share-based compensation expenses of \$161,590 primarily as a result of the granting of options to purchase an aggregate of 535,000 common shares in February 2017 that all vested immediately upon the date of grant. Other expenses included travel and accommodation of \$178,785 and marketing and investor relations costs of \$103,182.

We expect our G&A expenditures in 2017 and in future periods to grow as the level of activity increases.

#### ***Professional Fees***

Professional fees include attorney's fees, accounting fees, and consulting fees incurred in connection with product investigation and analysis, regulatory analysis, government relations, audit, securities offerings, investor relations, and general corporate and intellectual property advice.

Professional fees for the three months ended June 30, 2017 were higher by \$113,035 compared to the three months ended June 30, 2016. The increase was primarily due to expenses in connection with the preparation of Form S-1, relating to the resale or other disposition by selling shareholders, and initiating the process for listing on the NYSE American.

Professional fees for the six months ended June 30, 2017 were higher by \$249,734 compared to the six months ended June 30, 2016. The increase was primarily due to expenses in connection with the preparation of Form S-1, relating to the resale or other disposition by selling shareholders, and initiating the process for listing on the NYSE American.

#### ***Loss***

Zomedica recorded a loss for the three months ended June 30, 2017 of \$1,588,370 or \$0.02 per share, compared with a loss of \$1,064,594 or \$0.01 per share for the period from three months ended June 30, 2016.

For the three months ended June 30, 2017, the loss was attributed to the G&A expenses of \$748,610, R&D expenses of \$504,235, and professional fees of \$314,658, with no revenues as Zomedica does not currently have an approved product. For the three months ended June 30, 2016, the loss was attributed to R&D expenses of \$308,200, G&A expenses of \$276,863, listing expenses of \$272,354 and professional fees of \$201,623.

Zomedica recorded a loss for the six months ended June 30, 2017 of \$3,421,106 or \$0.04 per share, compared with a loss of \$1,996,236 or \$0.03 per share per share for the six months ended June 30, 2016.

For the six months ended June 30, 2016, 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

Period Ended	Basic and diluted net loss	
	Net loss	per common share
	\$	\$
June 30, 2017	1,588,370	0.02
March 31, 2017	1,832,736	0.02
December 31, 2016	2,974,375	0.04
September 30, 2016	1,042,235	0.01
June 30, 2016	1,064,594	0.01
March 31, 2016	931,642	0.01
December 31, 2015	701,867	0.02
September 30, 2015	715,774	0.02

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 2017 of \$1,588,370 was attributed to G&A expenses of \$748,610, R&D expenses of \$504,235 and professional fees of \$314,658, with no revenues as Zomedica does not currently have an approved product. The net loss in the first quarter of 2017 of \$1,832,736 was attributed to G&A expenses of \$827,025, R&D expenses of \$616,449 and professional fees of \$381,536.

The net loss in the fourth quarter of 2016 of \$2,974,375 was attributed to G&A expenses of \$1,790,576, which include the share-based compensation expense of \$1,319,544, the R&D expenses of \$577,573 and professional fees of \$586,038. The net loss in the third quarter of 2016 of \$1,042,235 was attributed to R&D expenses of \$411,104, G&A expenses of \$396,644 and professional fees of \$212,684. The net loss in the second quarter of 2016 of \$1,064,594 was attributed to R&D expenses of \$308,200, G&A expenses of \$276,863, listing expenses of \$272,354 and professional fees of \$201,623. The net loss in the first quarter of 2016 of \$931,642 was attributed to ongoing R&D expenses of \$221,712, G&A expenses of \$452,521, and professional fees of \$244,837.

The net loss in the fourth quarter of 2015 of \$701,867 or \$0.02 per share was attributed to R&D expenses of \$341,156, G&A expenses of \$187,966, and professional fees of \$173,068. The net loss in the third quarter of 2015 of \$715,774 or \$0.02 per share was attributed to professional fees of \$457,182 from the use of multiple consultants to initiate the business, R&D expenses of \$135,948, and G&A expenses of \$120,583. The net loss from inception to June 30, 2015 of \$102,896 or \$0.00 per share was attributed to R&D expenses of \$28,265, professional fees of \$41,888, and G&A expenses of \$32,690. A significant portion of the expenses from inception to December 31, 2015 were paid in shares issued for services at an ascribed value of \$652,705.

## LIQUIDITY AND CAPITAL RESOURCES

	Three months ended				Six months ended			
	June 30, 2017	June 30, 2016	Change		June 30, 2017	June 30, 2016	Change	
	\$	\$	\$	%	\$	\$	\$	%
Cash flows used in operating activities	(2,111,964)	(822,183)	(1,289,781)	157%	(3,665,766)	(1,438,195)	(2,227,571)	155%
Cash flows provided by financing activities	2,997,135	31,403	2,965,732	9444%	3,248,694	26,715	3,221,979	12061%
Cash flows used in investing activities	(2,398)	(18,275)	15,877	-87%	(159,800)	(98,581)	(61,219)	62%
Increase (decrease) in cash and cash equivalents, beginning of period	882,773	(809,055)	1,691,828	-209%	(576,872)	(1,510,061)	933,189	-62%
Cash and cash equivalents, end of period	1,767,035	2,542,704	(775,669)	N/A	3,226,680	3,243,710	(17,030)	N/A
	2,649,808	1,733,649	916,159	53%	2,649,808	1,733,649	916,159	53%

Zomedica had cash of \$2,649,808 as of June 30, 2017. The increase in cash during the three months ended June 30, 2017 is mainly a result of the cash flows provided by financing activities, partially offset by cash flows used in operating activities, as discussed below.

Cash flows used in operating activities for the three and six months ended June 30, 2017 amounted to \$2,111,964 and \$3,665,766, respectively, compared to the three and six months ended June 30, 2016 of \$822,183 and \$1,438,195, respectively. The largest use of cash within the operating activities in the current periods were an increase in employees' wages and benefits, various consultants related to the preparation of Form S-1 relating to the resale or other disposition by selling shareholders, and a reduction in accounts payable and accrued liabilities. The prior period cash flows used in operating activities resulted primarily from employees' wages and benefits, and various consultants related to the Transaction discussed above. 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, 2017 were \$2,997,135 and \$3,248,694, respectively, compared to the three and six months ended June 30, 2016 cash flows from financing activities of \$31,403 and \$26,715, respectively. For the three months ended June 30, 2017 the cash flows from financing activities relate to the cash received of \$3,000,000 for the private placement that closed in April 2017 and proceeds from the exercise of stock options of \$22,395, partially offset by stock issuance costs of \$25,260. For the six months ended June 30, 2017 the cash flows from financing expenses relate to the cash received of \$3,250,000 for the private placement that closed in April 2017, proceeds from the exercise of stock options for \$39,544, partially offset by repayment on a shareholder loan of \$6,726 and stock issuance costs of \$34,124. The prior period's cash flows relate to the cash acquired from the Transaction, partially offset by the cash paid for the stock issuance.

Cash flows used in investing activities for the three and six months ended June 30, 2017 amounted to \$2,398 and \$159,800 respectively, compared to the three and six months ended June 30, 2016 of \$18,275 and \$98,581, respectively. The current period cash flows relate to leasehold improvements and the purchase of furniture and equipment for additional office space in Ann Arbor. Prior 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 \$2,777,326 as of June 30, 2017. This was primarily due to cash of \$2,649,808, and prepaid expenses and deposits of \$623,109, partially offset by accounts payable and accrued liabilities of \$511,403.



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, 2017 was 87,407,924, an increase of 2,989,742 from March 31, 2017 (2,902,682 due to the private placement and 87,060 issued due to stock options exercised). The number of stock options outstanding as of June 30, 2017 was 8,002,940, an increase of 27,940 from December 31, 2016 due to 497,060 options that were exercised in February 2017 and May 2017, 10,000 options that were forfeited in May of 2017, and 535,000 options that were granted to an officer and an employee in February 2017. As of August 10, 2017, Zomedica had 89,330,615 common shares issued and outstanding, an increase of 1,922,691 from June 30, 2017 due to the completion of the first tranche of a private placement in July 2017 (issuing 1,502,691 common shares) and the exercise of stock options in July 2017. As of August 10, 2017, Zomedica had 7,582,940 stock options outstanding, a decrease of 420,000 from June 30, 2017 due to options that were exercised in July 2017.

## **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 ("IASB") 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.

### ***IFRS 15, Revenue from contracts with customers (IFRS 15)***

IFRS 15 was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts

and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 15 will have on Zomedica's financial statements.

***IFRS 16, Leases (IFRS 16)***

IFRS 16 was issued by the IASB in January 2016. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 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, 2017, Zomedica repaid \$nil and \$6,726, respectively, to a director and executive officer, which was recorded as shareholder loans payable as at December 31, 2016.

Key management includes Zomedica's directors and executive officers. The remuneration of the key management team for the period ended June 30, 2017 was as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	\$	\$	\$	\$
Salaries and benefits, including bonuses	317,803	228,750	640,589	398,206
Share-based compensation	-	-	151,020	117,180
	<u>317,803</u>	<u>228,750</u>	<u>791,609</u>	<u>515,386</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 of June 30, 2017, Zomedica had working capital of \$2,777,326.

***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**

Subsequent to June 30, 2017, 420,000 stock options were exercised and the Company completed the first tranche of a non-brokered private placement offering, issuing 1,502,691 common shares at a price of CDN\$2.75 for aggregate gross proceeds of approximately CDN\$4,132,400 or \$3,320,000.

# **Zomedica Pharmaceuticals Corp.**

Condensed consolidated interim financial statements

(Unaudited - expressed in United States Dollars)

**For the three and six months ended June 30, 2017 and 2016**

# Zomedica Pharmaceuticals Corp.

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

	Note	June 30, 2017	December 31, 2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 2,649,808	\$ 3,226,680
Prepaid expenses and deposits	5	623,109	332,611
Trade and other receivable		15,812	18,921
		<b>3,288,729</b>	<b>3,578,212</b>
Prepaid expenses and deposits	5	675,696	690,374
Property and equipment	6	405,744	289,034
Intangibles	7	316,539	317,938
		<b>\$ 4,686,708</b>	<b>\$ 4,875,558</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		\$ 511,403	\$ 734,431
Shareholder loans payable		-	6,726
		<b>511,403</b>	<b>741,157</b>
<b>Shareholders' equity:</b>			
Share capital	8	13,504,556	10,189,973
Share-based payment reserve	9	1,625,237	1,477,810
Deficit		(10,954,488)	(7,533,382)
		<b>4,175,305</b>	<b>4,134,401</b>
		<b>\$ 4,686,708</b>	<b>\$ 4,875,558</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,	
		2017	2016	2017	2016
<b>Expenses:</b>					
Research and development	11	\$ 504,235	\$ 308,200	\$ 1,120,684	\$ 529,912
General and administrative	11	748,610	276,863	1,575,635	729,384
Professional fees	11	314,658	201,623	696,194	446,460
Listing expenses		-	272,354	-	272,354
Amortization	7	700	806	1,399	1,345
Depreciation	6	22,782	7,432	43,090	15,219
Loss from operations		1,590,985	1,067,278	3,437,002	1,994,674
Gain on settlement of liabilities	8	-	-	(5,000)	-
Foreign exchange loss (gain)		(2,615)	(2,684)	(10,896)	1,562
<b>Loss before income taxes</b>		<b>1,588,370</b>	<b>1,064,594</b>	<b>3,421,106</b>	<b>1,996,236</b>
Income tax expense		-	-	-	-
<b>Net loss and comprehensive loss</b>		<b>\$ 1,588,370</b>	<b>\$ 1,064,594</b>	<b>\$ 3,421,106</b>	<b>\$ 1,996,236</b>
Weighted average number of common shares - basic and dilt	13	87,077,768	79,430,716	85,622,780	79,430,716
Loss per share - basic and diluted	13	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.03

Nature of operations (Note 1)

Statement of compliance and going concern (Note 2)

Commitments and contingencies (Note 10)

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	8	1,900,000	196,534	-	-	196,534
Share issuance for services	8	80,000	15,741	-	-	15,741
Share-based compensation	9	-	-	148,390	-	148,390
Shares issued due to exercise of options	8	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>

	Note	Number of common shares	Share capital	Share-based payment reserve	Deficit	Total
Balance at December 31, 2016		83,964,569	\$ 10,189,973	\$ 1,477,810	\$ (7,533,382)	\$ 4,134,401
Share issuance for services	8	43,613	45,000	-	-	45,000
Shares issued for cash, net of costs	8	2,902,682	3,215,876	-	-	3,215,876
Share-based compensation	9	-	-	161,590	-	161,590
Shares issued due to exercise of options	8	497,060	53,707	(14,163)	-	39,544
Net loss for the period		-	-	-	(3,421,106)	(3,421,106)
<b>Balance at June 30, 2017</b>		<b>87,407,924</b>	<b>\$ 13,504,556</b>	<b>\$ 1,625,237</b>	<b>\$ (10,954,488)</b>	<b>\$ 4,175,305</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	2017	2016	2017	2016
<b>Cash flows used in operating activities:</b>					
Net loss for the period		\$ (1,588,370)	\$ (1,064,594)	\$ (3,421,106)	\$ (1,996,236)
Adjustments for					
Depreciation	6	22,782	7,432	43,090	15,219
Amortization	7	700	806	1,399	1,345
Share-based compensation	9	-	2,058	161,590	148,390
Shares issued for professional fees	8	-	15,741	45,000	15,741
Listing expenses		-	272,354	-	272,354
Change in non-cash operating working capital					
Prepaid expenses		(22,434)	(11,738)	(60,399)	14,066
Deposits		1,391	(12,201)	(215,421)	(8,275)
Other receivable		7,288	(20,309)	3,109	(25,147)
Accounts payable and accrued liabilities		(533,321)	(11,732)	(223,028)	124,348
		<b>(2,111,964)</b>	<b>(822,183)</b>	<b>(3,665,766)</b>	<b>(1,438,195)</b>
<b>Cash flows from financing activities:</b>					
Repayments (advances) of shareholder loan		-	6,701	(6,726)	2,013
Cash received on amalgamation		-	108,966	-	108,966
Cash received from stock option exercises	9	22,395	-	39,544	-
Cash proceeds from financing	8	3,000,000	-	3,250,000	-
Cash paid for stock issuance cost	8	(25,260)	(84,264)	(34,124)	(84,264)
		<b>2,997,135</b>	<b>31,403</b>	<b>3,248,694</b>	<b>26,715</b>
<b>Cash flows used in investing activities:</b>					
Investment in intangibles	7	-	-	-	(9,611)
Investment in property and equipment	6	(2,398)	(18,275)	(159,800)	(88,970)
		<b>(2,398)</b>	<b>(18,275)</b>	<b>(159,800)</b>	<b>(98,581)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>882,773</b>	<b>(809,055)</b>	<b>(576,872)</b>	<b>(1,510,061)</b>
Cash and cash equivalents, beginning of period		1,767,035	2,542,704	3,226,680	3,243,710
<b>Cash and cash equivalents, end of period</b>		<b>\$ 2,649,808</b>	<b>\$ 1,733,649</b>	<b>\$ 2,649,808</b>	<b>\$ 1,733,649</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, 2017 and 2016

(Unaudited - in United States dollars)

---

## 1. Nature of operations

Zomedica Pharmaceuticals Corp. (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 shares on the basis of one post-consolidation common share for every 2.5 pre-consolidation common shares. The Transaction constituted WOW’s qualifying transaction under TSX-V Policy 2.4 – *Capital Pool Companies*. The shares of Zomedica Pharmaceuticals Corp. began trading on the TSX-V 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 these condensed unaudited interim consolidated financial statements. Zomedica Pharmaceuticals Corp. had no operations from May 14, 2015 to the qualifying transaction date on April 21, 2016. The January 1, 2016 to March 31, 2016 comparative period represent the results of the operations of the predecessor, ZoMedica Pharmaceuticals Inc. The Company is a veterinary pharmaceutical and health care 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 unaudited interim consolidated 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 unaudited interim consolidated 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 unaudited interim 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.

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2017 and 2016  
(Unaudited - in United States dollars)

---

## 2. Statement of compliance and going concern (continued)

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$10,954,488 as at June 30, 2017 (December 31, 2016 – \$7,533,382). 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, 2017, the Company had current assets of \$3,288,729 (December 31, 2016 - \$3,578,212) to cover current liabilities of \$511,403 (December 31, 2016 – \$741,157).

## 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, 2016. 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, 2017. All intercompany transactions and balances for these subsidiaries have been eliminated.

The interim financial statements were approved by the Board of Directors on August 10, 2017.

## 4. Accounting policies

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

### *Functional and presentation currencies*

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

### *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, 2017 and 2016  
(Unaudited - in United States dollars)

## 4. Accounting policies (continued)

*Standards, amendments and interpretations issued and not yet effective (continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15, "Revenue from contracts and customers" ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this pronouncement.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. The Company is currently assessing the impact of this pronouncement.

## 5. Prepaid rent

The Company entered into a lease agreement with Wickfield Phoenix LLC effective on August 23, 2016. The Company prepaid the full outstanding balance of \$801,973 on August 26, 2016. The Company has classified the prepaid rent due within a year as a current asset on the statement of financial position.

## 6. 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	9,803	-	210,864	10,937	231,604
Balance at December 31, 2016	61,598	7,364	243,529	25,672	338,163
Additions	63,048	68,694	16,775	11,283	159,800
Balance at June 30, 2017	124,646	76,058	260,304	36,955	497,963
<b>Accumulated depreciation</b>					
Balance at December 31, 2015	3,163	438	1,578	819	5,998
Depreciation	10,695	1,052	28,205	3,179	43,131
Balance at December 31, 2016	13,858	1,490	29,783	3,998	49,129
Depreciation	13,427	4,614	22,546	2,503	43,090
Balance at June 30, 2017	27,285	6,104	52,329	6,501	92,219
<b>Net book value as at:</b>					
December 31, 2016	\$ 47,740	\$ 5,874	\$ 213,746	\$ 21,674	\$ 289,034
June 30, 2017	\$ 97,361	\$ 69,954	\$ 207,975	\$ 30,454	\$ 405,744

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2017 and 2016  
(Unaudited - in United States dollars)

## 7. 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 December 31, 2016	5,143	16,236	300,000	321,379
Additions	-	-	-	-
Balance at June 30, 2017	5,143	16,236	300,000	321,379
<b>Accumulated amortization</b>				
Balance at December 31, 2015	714	37	-	751
Amortization	1,714	976	-	2,690
Balance at December 31, 2016	2,428	1,013	-	3,441
Amortization	856	543	-	1,399
Balance at June 30, 2017	3,284	1,556	-	4,840
<b>Net book value as at:</b>				
December 31, 2016	\$ 2,715	\$ 15,223	\$ 300,000	\$ 317,938
June 30, 2017	\$ 1,859	\$ 14,680	\$ 300,000	\$ 316,539

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.

## 8. 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 amalgamation	1,900,000	196,534
Shares issued due to option exercises related to amalgamation	80,000	22,058
Shares issued to Everfront Capital Corp	80,000	15,741
Shares issued for financing	4,133,853	4,717,570
Shares issued due to exercise of options	400,000	23,379
Balance at December 31, 2016	83,964,569	10,189,973
Shares issuance for services	43,613	45,000
Shares issued from financing	2,902,682	3,250,000
Share issuance costs	-	(34,124)
Shares issued due to exercise of options (note 9)	497,060	53,707
Balance at June 30, 2017	87,407,924	\$ 13,504,556

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2017 and 2016

(Unaudited - in United States dollars)

## 8. Share capital (continued)

During the six months ended June 30, 2017, the Company settled \$50,000 of amounts due to a vendor by issuing 43,613 common shares valued at \$45,000 at the date of issuance. The Company recorded a \$5,000 gain on the settlement of liabilities.

## 9. Share-based payments

During the three months ended June 30, 2017, the Company issued no stock options. During the six months ended June 30, 2017, 535,000 stock options were issued, with each option entitling the holder to purchase one common share of the Company. During the three months ended June 30, 2017, 7,060 options were exercised on May 5, 2017 and 80,000 options were exercised on May 17, 2017. During the three months ended March 31, 2017, an aggregate of 410,000 options were exercised on February 21, 2017.

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 issued through amalgamation	80,000	\$ 0.25
Options exercised on April 21, 2016	(80,000)	\$ 0.25
Options exercised on July 15, 2016	(400,000)	\$ 0.05
Options issued on December 21, 2016	3,875,000	\$ 1.50
Balance at December 31, 2016	7,975,000	\$ 0.84
Options issued	535,000	\$ 1.50
Stock options exercised on Feb 21, 2017	(10,000)	\$ 0.25
Stock options exercised on Feb 21, 2017	(400,000)	\$ 0.05
Stock options exercised on May 5, 2017	(7,060)	\$ 1.50
Stock options exercised on May 17, 2017	(80,000)	\$ 0.25
Stock options cancelled on May 17, 2017	(10,000)	\$ 1.50
Balance at June 30, 2017	8,002,940	\$ 0.93

As at June 30, 2017, details of the issued and outstanding stock options are as follows:

Grant date	Exercise price (CDN\$)	Number of options issued	Number of options outstanding	Weighted Avg Remaining Life (years)
July 31, 2015	\$ 0.05	1,000,000	200,000	3.09
March 28, 2016	\$ 0.25	3,500,000	3,410,000	0.74
December 21, 2016	\$ 1.50	3,875,000	3,857,940	1.48
February 24, 2017	\$ 1.50	535,000	535,000	1.65

The fair value of options granted as well as the deemed issuance of options during the three and six months period ended June 30, 2017 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements  
For the three and six months ended June 30, 2017 and 2016  
(Unaudited - in United States dollars)

## 9. Share-based payments (continued)

	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

  

	December 21, 2016	February 24, 2017
Volatility	58%	59%
Risk-free interest rate	0.81%	0.81%
Expected life	2.0 years	2.0 years
Dividend yield	0%	0%
Common share price	CDN \$1.45	CDN \$1.35
Strike price	CDN \$1.50	CDN \$1.50
Forfeiture rate	nil	nil

The Company recorded \$nil of share-based compensation for the three-months ended June 30, 2017 (three months ended June 30, 2016 - \$2,158). The Company recorded \$161,590 of share-based compensation for the six-months ended June 30, 2017 (six months ended June 30, 2016 - \$148,390). The Company recorded the cash receipt of \$28,184 as share capital and reclassified \$5,789 of share based payment reserve to share capital due to the exercise of options during the three-month period ended June 30, 2017. The Company recorded the cash receipt of \$39,544 as share capital and reclassified \$14,163 of share based payment reserve to share capital due to the exercise of options during the six-month period ended June 30, 2017.

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

## 10. Commitments and contingencies

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

2017	\$	21,740
2018		34,784
2019 and thereafter		-
<b>Total</b>	<b>\$</b>	<b>56,524</b>

# Zomedica Pharmaceuticals Corp.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2017 and 2016

(Unaudited - in United States dollars)

## 11. Schedule of expenses

	For the three months ended June 30, 2017			For the three months ended June 30, 2016		
	Research and Development	General and Administrative	Professional Fees	Research and Development	General and Administrative	Professional Fees
Salaries, bonus and benefits	\$ 189,091	\$ 414,567	\$ -	\$ 228,436	\$ 163,357	\$ -
Contracted expenditures	111,450	-	-	-	-	-
Marketing and investor relations	-	63,084	-	-	35,142	-
Travel and accommodation	991	100,443	-	-	12,360	-
Insurance	20,206	42,581	-	11,445	26,512	-
Office	3,767	19,897	-	4,958	9,903	-
Consultant	76,005	-	314,658	29,798	22,365	201,623
Regulatory	25,775	57,681	-	-	-	-
Rent	12,040	38,805	-	4,816	7,224	-
Supplies	64,910	11,551	-	28,747	-	-
<b>Total</b>	<b>\$ 504,235</b>	<b>\$ 748,610</b>	<b>\$ 314,658</b>	<b>\$ 308,200</b>	<b>\$ 276,863</b>	<b>\$ 201,623</b>

	For the six months ended June 30, 2017			For the six months ended June 30, 2016		
	Research and Development	General and Administrative	Professional Fees	Research and Development	General and Administrative	Professional Fees
Salaries, bonus and benefits	\$ 360,002	\$ 971,430	\$ -	\$ 356,881	\$ 466,429	\$ -
Contracted expenditures	359,295	5,610	-	-	-	-
Marketing and investor relations	-	103,182	-	-	77,572	-
Travel and accommodation	2,958	178,785	-	-	31,652	-
Insurance	37,673	84,101	-	22,018	51,689	-
Office	11,868	50,165	-	5,683	65,229	-
Consultant	168,449	-	696,194	78,324	22,365	446,460
Regulatory	51,550	72,135	-	-	-	-
Rent	19,264	82,426	-	9,632	14,448	-
Supplies	109,625	27,800	-	57,374	-	-
<b>Total</b>	<b>\$ 1,120,684</b>	<b>\$ 1,575,635</b>	<b>\$ 696,194</b>	<b>\$ 529,912</b>	<b>\$ 729,384</b>	<b>\$ 446,460</b>

## 12. 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, 2017 and 2016  
(Unaudited - in United States dollars)

## 13. Loss per share

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Numerator				
Net loss for the period	\$ 1,588,370	\$ 1,064,594	\$ 3,421,106	\$ 1,996,236
Denominator				
Weighted average shares - basic	87,077,768	79,430,716	85,622,780	79,430,716
Stock options	-	-	-	-
Denominator for diluted loss per share	87,077,768	79,430,716	85,622,780	79,430,716
Loss per share - basic and diluted	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.03

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.

## 14. Related party transactions and key management compensation

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,	
	2017	2016	2017	2016
Salaries	\$ 317,803	\$ 228,750	\$ 640,589	\$ 398,206
Share-based compensation	-	-	151,020	117,180
Total	\$ 317,803	\$ 228,750	\$ 791,609	\$ 515,386

## 15. Subsequent events

Subsequent to June 30, 2017, 420,000 stock options were exercised and the Company completed the first tranche of a non-brokered private placement offering, issuing 1,502,691 common shares at a price of CDN\$2.75 for aggregate gross proceeds of approximately CDN\$4,132,400 or \$3,320,000.