Management Discussion and Analysis

Financial Statements

For the three months ended March 31, 2017 and 2016

Management's Discussion and Analysis of Financial Condition and Results of Operations of Zomedica Pharmaceuticals Corp. for the Three Months Ended March 31, 2017

The following Management Discussion and Analysis ("MD&A") prepared as of May 11, 2017 should be read in conjunction with the March 31, 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 at March 31, 2017 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 ("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 the 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 – 5th 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 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 January 5, 2017, Zomedica announced a research collaboration agreement with Celsee Diagnostics, Inc. to test the feasibility of Celsee's liquid biopsy technology for veterinary application as a canine cancer diagnostic.
- On January 17, 2017, Zomedica named Best Start-up 2016 for its product pipeline, equity funding, TSXV listing, and strategic personnel additions in 2016 by Animal Pharm, a provider of online services for animal health business intelligence, as part of their annual awards program.
- On January 30, 2017, Zomedica announced that it opened its fourth Investigational New Animal Drug ("INAD") application with the FDA-CVM for ZM-011.
- On January 30, 2017, Zomedica disclosed that ZM-006 is a transdermal gel delivering its active pharmaceutical ingredient methimazole.
- On January 31, 2017, Zomedica launched its Voice of the Vet™ customer engagement program to leverage insights from the veterinary community to influence development of companion animal health solutions.

- On February 23, 2017, Zomedica announced that Robert W. DiMarzo joined the company as Executive Vice President of Global Strategy. Mr. DiMarzo brings more than 25 years of animal health leadership experience with industry leaders such as Pfizer Animal Health, now Zoetis.
- 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 MKT.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for Zomedica as of and for the three months ended March 31, 2017 and March 31, 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 March 31, 2017	Three months ended March 31, 2016
	$	$
Loss from operations	1,846,017	927,396
Net loss and comprehensive loss	1,832,736	931,642
Loss per share - basic and diluted	0.02	0.01

Statement of Financial Position	As at	
	March 31, 2017	December 31, 2016
	$	$
Total Assets	3,811,265	4,875,558
Total Liabilities	1,044,724	741,157
Total Shareholders' equity	2,766,541	4,134,401

RESULTS OF OPERATIONS

The following are selected financial information for the three months ended March 31, 2017 and March 31, 2016.

	Three months ended March 31, 2017	Three months ended March 31, 2016	Change	
	$	$	$	%
Expenses				
Research and development	616,449	221,712	394,737	178%
General and administrative	827,025	452,521	374,504	83%
Professional fees	381,536	244,837	136,699	56%
Amortization	699	539	160	30%
Depreciation	20,308	7,787	12,521	161%
Loss from operations	1,846,017	927,396	918,621	99%
Gain on Settlement of Liabilities	(5,000)			
Foreign exchange loss (gain)	(8,281)	4,246	(12,527)	-295%
Loss before income taxes	1,832,736	931,642	901,094	97%
Income tax expense	-	-	-	N/A
Net loss and comprehensive loss for the period	1,832,736	931,642	901,094	97%

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 March 31, 2017 were higher by $394,737 compared to the three months ended March 31, 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 contracted outsourced activities of $247,845, salaries of $170,912 and consultant fees of $92,444 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 INADs, 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 March 31, 2017 were higher by $374,504 compared to the three months ended March 31, 2016. 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 $556,863, which included share-based compensation expense of $161,591 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 $78,342 and rent of $43,621.

Zomedica expects G&A expenditures in 2017 and future periods will be higher as we increase our level of activity.

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 March 31, 2017 were higher by $136,699 compared to the three months ended March 31, 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 MKT.

Loss

Zomedica recorded a loss for the three months ended March 31, 2017 of $1,832,736 or $0.02 per share, compared with a loss of $931,642 or $0.01 per share for the period from three months ended March 31, 2016.

For the three months ended March 31, 2017, the loss was attributed to the G&A expenses of $827,025, R&D expenses of $616,449, and professional fees of $381,536, with no revenues as Zomedica does not currently have an approved product. For the three months ended March 31, 2016, the loss was attributed to G&A expenses of $452,521, professional fees of $244,837 and R&D expenses of $221,712.

SUMMARY OF RESULTS

Period Ended	**Net loss**	**Basic and diluted net loss per common share**
	$	**$**
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
Inception to June 30, 2015	102,895	-

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 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, with no revenues as Zomedica does not currently have an approved product. The net loss in the fourth quarter of 2016 of $2,974,375 was attributed to the 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 the R&D expenses of $411,104, the 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 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, 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 March 31, 2017	Three months ended March 31, 2016	Change	
	$	$	$	%
Cash flows used in operating activities	(1,553,802)	(616,012)	(937,790)	152%
Cash flows provided by (used in) financing activities	251,559	(4,688)	256,247	-5466%
Cash flows used in investing activities	(157,402)	(80,306)	(77,096)	96%
Increase (decrease) in cash	(1,459,645)	(701,006)	(758,639)	108%
Cash and cash equivalents, beginning of period	3,226,680	3,243,710	(17,030)	N/A
Cash and cash equivalents, end of period	1,767,035	2,542,704	(775,669)	-31%

Zomedica had cash of $1,767,035 as at March 31, 2017. The decrease in cash during the three months ended March 31, 2017 is mainly a result of the cash flows used in operating activities, as discussed below.

Cash flows used in operating activities for the three months ended March 31, 2017 amounted to $1,553,802 compared to the three months ended March 31, 2016 of $616,012. The largest use of cash within the operating activities in the current period was an increase in employees' wages and benefits, and various consultants related to the preparation of Form S-1 relating to the resale or other disposition by selling shareholders.

The prior period cash flows used in operating activities resulted primarily from employees' wages and benefits, and various consultants related to the Transaction discussed below. Zomedica did not have an approved product and therefore did not have revenues.

Cash flows from financing activities for the three months ended March 31, 2017 were $251,559, compared to the three months ended March 31, 2016 cash flows used in financing activities of $4,688. The current year cash flows relate to the cash received from an investor for $250,000 which was part of the private placement that closed in April 2017, proceeds from the exercise of stock options for $17,149, partially offset by repayment on a shareholder loan of $6,726 and stock issuance costs of $8,864. The prior period cash outflows relate to repayment on a shareholder loan of $4,688.

Cash flows used in investing activities for the three months ended March 31, 2017 amounted to $157,402, compared to the three months ended March 31, 2016 of $80,306. 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 $1,266,687 as at March 31, 2017. This was primarily due to cash of $1,767,035, and prepaid expenses and deposits of $521,276, partially offset by accounts payables and accrued liabilities of $1,044,724.

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 March 31, 2017 was 84,418,182, an increase of 453,613 from December 31, 2016 (43,613 due to shares issued for debt, and 410,000 issued due to stock options exercised). The number of stock options outstanding as of March 31, 2017 was 8,100,000, an increase of 125,000 from December 31, 2016 due to 410,000 options that were exercised in February 2017 and 535,000 options that were granted to an officer and employee in February 2017. As at May 11, 2017, Zomedica had 87,327,924 common shares issued and outstanding, an increase of 2,909,792 from March 31, 2017 due to the completion of the final tranche of Zomedica’s equity financing in April 2017 and the exercise of stock options in May 2017. As at May 11, 2017, Zomedica had 8,092,940 stock options outstanding, a decrease of 7,060 from March 31, 2017 due to the aforementioned option exercises.

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 months ended March 31, 2017, Zomedica repaid $6,726 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 year ended December 31, 2016 was as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
	$	$
Salaries and benefits, including bonuses	322,786	169,456
Share-based compensation	151,020	117,180
	473,806	286,636

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 December 31, 2016, Zomedica had working capital of $2,837,055.

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 March 31, 2017, the Company completed 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.

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated financial statements

(Stated in United States Dollars)

For the three months ended March 31, 2017 and 2016

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated statements of financial position
As at March 31, 2017 and December 31, 2016
(Stated in United States dollars)

	Note		**March 31, 2017**		December 31, 2016
Assets					
Current assets:					
Cash and cash equivalents		**$**	**1,767,035**	$	3,226,680
Prepaid expenses and deposits	5		**521,276**		332,611
Trade and other receivable			**23,100**		18,921
			2,311,411		3,578,212
Prepaid expenses and deposits	5		**756,486**		690,374
Property and equipment	6		**426,129**		289,034
Intangible assets	7		**317,239**		317,938
		$	**3,811,265**	$	4,875,558
Liabilities and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**1,044,724**	$	734,431
Shareholder loans payable			**-**		6,726
			1,044,724		741,157
Shareholders' equity:					
Share capital	8		**10,501,632**		10,189,973
Share-based payment reserve	9		**1,631,027**		1,477,810
Deficit			**(9,366,118)**		(7,533,382)
			2,766,541		4,134,401
		$	**3,811,265**	$	4,875,558

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

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated statements of loss and comprehensive loss
For the three months ended March 31, 2017 and 2016
(Stated in United States dollars)

	Note		Three months ended March 31, 2017		2016
Expenses:					
Research and development	11	**$**	**616,449**	$	221,712
General and administrative	11		**827,025**		452,521
Professional fees	11		**381,536**		244,837
Amortization	7		**699**		539
Depreciation	6		**20,308**		7,787
Loss from operations			**1,846,017**		927,396
Gain on settlement of liabilities	8		**(5,000)**		-
Foreign exchange loss (gain)			**(8,281)**		4,246
Loss before income taxes			**1,832,736**		931,642
Income tax expense			**-**		-
Net loss and comprehensive loss		**$**	**1,832,736**	$	931,642
Weighted average number of common shares	13		**84,418,182**		77,370,716
Loss per share - basic and diluted	13	**$**	**(0.02)**	$	(0.01)

Nature of operations (Note 1)
Statement of compliance and going concern (Note 2)
Commitments and contingencies (Note 10)
Subsequent events (Note 15)

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

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated statements of changes in equity
For the three months ended March 31, 2017 and 2016
(Stated in United States dollars)

	Note	Number of common shares		Share capital		Share-based payment reserve		Accumulated deficit		Total
Balance at December 31, 2015		77,370,716	$	5,214,691	$	19,890	$	(1,520,536)	$	3,714,045
Share-based compensation	8	-		-		146,332		-		146,332
Net loss for the period		-		-		-		(931,642)		(931,642)
Balance at March 31, 2016		**77,370,716**	**$**	**5,214,691**	**$**	**166,222**	**$**	**(2,452,178)**	**$**	**2,928,735**
Balance at December 31, 2016		83,964,569	$	10,189,973	$	1,477,810	$	(7,533,382)		4,134,401
Shares to be issued	8	-		250,000		-		-		250,000
Share issuance costs	8	-		(8,864)		-		-		(8,864)
Share issuance for services	8	43,613		45,000		-		-		45,000
Share-based compensation	9	-		-		161,591		-		161,591
Shares issued due to exercise of options	8	410,000		25,523		(8,374)		-		17,149
Net loss for the period		-		-		-		(1,832,736)		(1,832,736)
Balance at March 31, 2017		**84,418,182**	**$**	**10,501,632**	**$**	**1,631,027**	**$**	**(9,366,118)**	**$**	**2,766,541**

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

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated statements of cash flows
For the three months ended March 31, 2017 and 2016
(Stated in United States dollars)

	Note	Three months ended March 31, 2017	2016
Cash flows used in operating activities:			
Net loss for the period		**$ (1,832,736)**	$ (931,642)
Adjustments for			
Depreciation	6	**20,308**	7,787
Amortization	7	**699**	539
Share-based compensation	9	**161,591**	146,332
Shares issued for professional fees	8	**45,000**	-
Change in non-cash operating working capital			
Prepaid expenses	5	**(37,965)**	25,804
Deposits		**(216,813)**	3,926
Other receivable		**(4,179)**	(4,838)
Accounts payable and accrued liabilities		**310,293**	136,080
		(1,553,802)	(616,012)
Cash flows from (used in) financing activities:			
Repayment of shareholder loan		**(6,726)**	(4,688)
Cash received for share issuances		**250,000**	-
Cash received from exercise of stock options		**17,149**	-
Share issuance costs	8	**(8,864)**	-
		251,559	(4,688)
Cash flows used in investing activities:			
Investment in intangible assets	7	**-**	(9,611)
Investment in property and equipment	6	**(157,402)**	(70,695)
		(157,402)	(80,306)
Decrease in cash and cash equivalents		**(1,459,645)**	(701,006)
Cash and cash equivalents, beginning of period		**3,226,680**	3,243,710
Cash and cash equivalents, end of period		**$ 1,767,035**	$ 2,542,704

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

1. Nature of operations

Zomedica Pharmaceuticals Corp. (the "Company") was incorporated on January 7, 2013 under the Alberta Business Corporations Act 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") with ZoMedica Pharmaceuticals Inc. ("ZoMedica"), and filed Articles of Amalgamation and amalgamated with 9674128 Canada Inc., which was wholly-owned by WOW. The amalgamated company changed its name to Zomedica Pharmaceuticals Ltd. and WOW subsequently changed its name to 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. 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 biopharmaceutical company targeting health and wellness solutions for the companion pet through a ground-breaking approach that focuses on the needs of the veterinarians themselves. 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.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $9,366,118 as at March 31, 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

2. Statement of compliance and going concern (continued)

activities. As at March 31, 2017, the Company had current assets of $2,311,411 (December 31, 2016 - $3,578,212) to cover current liabilities of $1,044,724 (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 consolidated financial statements were approved by the Board of Directors on May 11, 2017.

4. Significant 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.

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

(Stated in United States dollars)

4. Significant accounting policies (continued)

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

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
Cost					
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	75,225	68,694	2,200	11,284	157,403
Balance at March 31, 2017	136,823	76,058	245,729	36,956	495,566
Accumulated depreciation					
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	5,963	1,899	11,273	1,173	20,308
Balance at March 31, 2017	19,821	3,389	41,056	5,171	69,437
Net book value as at:					
December 31, 2016	$ 47,740	$ 5,874	$ 213,746	$ 21,674	$ 289,034
March 31, 2017	$ 117,002	$ 72,669	$ 204,673	$ 31,785	$ 426,129

(Stated in United States dollars)

7. Intangible assets

	Computer software	Trademarks	Intellectual property	Total
Cost				
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 March 31, 2017	5,143	16,236	300,000	321,379
Accumulated amortization				
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	428	271	-	699
Balance at March 31, 2017	2,856	1,284	-	4,140
Net book value as at:				
December 31, 2016	$ 2,715	$ 15,223	$ 300,000	$ 317,938
March 31, 2017	$ 2,287	$ 14,952	$ 300,000	$ 317,239

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 to be issued	-	250,000
Share issuance costs	-	(8,864)
Shares issued due to exercise of options (note 9)	410,000	25,523
Balance at March 31, 2017	84,418,182	$ 10,501,632

During the three months ended March 31, 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. The Company also collected $250,000 investor deposit for shares to be issued in the future.

(Stated in United States dollars)

9. Share-based payments

During the three months ended March 31, 2017, the Company issued 535,000 stock options, each option entitling the holder to purchase one common share of the Company. During the three months ended March 31, 2017, 10,000 options were exercised on February 15, 2017 and 400,000 of 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 15, 2017	(10,000)		0.25
Stock options exercised on Feb 21, 2017	(400,000)		0.05
Balance at March 31, 2017	8,100,000	$	0.93

As at March 31, 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	3.59
March 28, 2016	$	0.25	3,500,000	3,490,000	1.31
December 21, 2016	$	1.50	3,875,000	3,875,000	1.72
February 24, 2017	$	1.50	535,000	535,000	1.90

The fair value of options granted as well as the deemed issuance of options during the three months period ended March 31, 2017 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

(Stated in United States dollars)

9. Share-based payments (continued)

	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 $161,591 of share-based compensation for the three-month ended March 31, 2017. The Company recorded the cash receipt of $17,149 as share capital and reclassified $8,374 of share based payment reserve to share capital due to the exercise of options during the three months ended March 31, 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	$	38,751
2018		34,784
2019 and thereafter		-
Total	$	73,535

11. Schedule of expenses

	For the three months ended March 31, 2017			For the three months ended March 31, 2016		
	Research and Development	General and Administrative	Professional Fees	Research and Development	General and Administrative	Professional Fees
Salaries, bonus and benefits	$ 170,912	$ 556,863	$ -	$ 128,445	$ 303,071	$ -
Contracted expenditures	247,845	5,610	-	-	-	-
Marketing and investor relations	-	40,097	-	-	42,430	-
Travel and accomodation	1,967	78,342	-	-	19,292	-
Insurance	17,467	41,520	-	10,573	25,177	-
Administrative	8,100	30,268	-	725	55,327	-
Consultant	92,444	-	381,536	48,526	-	244,837
Regulatory	25,775	14,454	-	-	-	-
Rent	7,224	43,621	-	4,816	7,224	-
Supplies	44,715	16,250	-	28,627	-	-
Total	$ 616,449	$ 827,025	$ 381,536	$ 221,712	$ 452,521	$ 244,837

(Stated in United States dollars)

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.

13. Loss per share

		For the three months ended March 31, 2017		For the three months ended March 31, 2016
Numerator				
Net loss for the period	**$**	**1,832,736**	$	931,642
Denominator				
Weighted average shares - basic		**84,418,182**		77,370,716
Stock options		**-**		-
Denominator for diluted loss per share		**84,418,182**		77,370,716
Loss per share - basic and diluted	**$**	**0.02**	$	0.01

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 are comprised 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 the three months ended March 31,			
		2017		2016
Salaries, bonus, and allowance	**$**	**322,786**	$	169,456
Share-based compensation		**151,020**		117,180
Total	**$**	**473,806**	$	286,636

15. Subsequent events

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.