
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2019**.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: **001-38298**

Zomedica Pharmaceuticals Corp.

(Exact name of registrant as specified in its charter)

Alberta, Canada
(State or other jurisdiction of
incorporation or organization)

100 Phoenix Drive, Suite 190
Ann Arbor, Michigan
(Address of principal executive offices)

N/A
(I.R.S. Employer
Identification Number)

48108
(Zip code)

(734) 369-2555
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	ZOM	NYSE American

As of August 8, 2019, 108,038,398 shares of the registrant's common shares, without par value, were issued and outstanding.

ZOMEDICA PHARMACEUTICALS CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED
JUNE 30, 2019

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated financial statements

For the three and six months ended June 30, 2019 and 2018

(Expressed in United States Dollars, except as otherwise noted)

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated balance sheet

As at June 30, 2019 and December 31, 2018

(Stated in United States dollars)

	Note	June 30, 2019	December 31, 2018
Assets			
Current assets:			
Cash and cash equivalents		\$ 5,822,148	\$ 1,940,265
Prepaid expenses and deposits	5	1,389,176	1,867,034
Trade and other receivable		95,550	53,659
		7,306,874	3,860,958
Prepaid expenses and deposits	5	7,300	1,442,415
Property and equipment	6	794,364	717,088
Right-of-use asset	8	1,358,348	-
Intangible assets	7	12,521	13,058
		\$ 9,479,407	\$ 6,033,519

Liabilities and shareholders' equity**Current liabilities:**

Accounts payable and accrued liabilities		\$ 1,796,803	\$ 2,376,519
		1,796,803	2,376,519

Shareholders' equity:

Capital stock			
Series 1 preferred shares, without par value; 20 shares authorized (2018 - nil)			
Issued and outstanding			
12 series 1 preferred shares (2018 - nil)	10	11,962,811	-
Unlimited common shares without par value;			
Issued and outstanding			
108,038,398 common shares (2018 - 97,598,898)	11	38,647,822	30,410,648
Common stock subscribed		-	4,280,000
Additional paid-in capital	12	3,427,095	1,240,139
Accumulated deficit		(46,355,124)	(32,273,787)
		7,682,604	3,657,000
		\$ 9,479,407	\$ 6,033,519

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 13)

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

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated statements of operations and comprehensive loss

For the three and six months ended June 30, 2019 and 2018

(Stated in United States dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Expenses:					
Research and development	16	\$ 1,061,507	\$ 2,534,620	\$ 8,592,882	\$ 3,134,961
General and administrative	16	921,446	1,248,490	4,152,709	2,408,662
Professional fees	16	211,520	336,455	950,914	708,402
Amortization - right-of-use asset	8	127,345	-	254,690	-
Amortization - intangible asset	7	270	693	537	1,379
Depreciation	6	68,925	27,459	130,979	64,158
Loss from operations		2,391,013	4,147,717	14,082,711	6,317,562
Loss on fixed assets		1,308	-	1,308	-
Interest expense		12,164	-	18,338	-
Gain on settlement of liabilities	11	-	-	(19,737)	-
Foreign exchange gain		(58)	(3,319)	(1,283)	(1,835)
Loss before income taxes		2,404,427	4,144,398	14,081,337	6,315,727
Income tax expense		-	-	-	-
Net loss and comprehensive loss		\$ 2,404,427	\$ 4,144,398	\$ 14,081,337	\$ 6,315,727
Weighted average number of common shares - basic and diluted		108,038,398	92,527,470	104,528,705	91,527,862
Loss per share - basic and diluted		\$ (0.02)	\$ (0.04)	\$ (0.13)	\$ (0.07)

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

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated statements of shareholders' equity

For the three and six months ended June 30, 2019 and 2018

(Stated in United States dollars)

	Note	Series 1 preferred stock		Common stock		Common stock subscribed	Additional paid-in capital	Accumulated deficit	Total
		Shares	Amount	Shares	Amount				
Balance at December 31, 2017		-	\$ -	90,225,869	\$ 18,244,659	\$ -	\$ 1,768,526	\$ (15,626,100)	\$ 4,387,085
Stock issuance for services		-	-	641,717	1,238,513	-	-	-	1,238,513
Stock issuance for financing, net of cost		-	-	1,861,627	3,978,690	-	-	-	3,978,690
Stock-based compensation	12	-	-	-	-	-	7,288	-	7,288
Stock issued due to exercise of options	11,12	-	-	1,781,996	1,796,262	-	(357,954)	-	1,438,308
Net loss		-	-	-	-	-	-	(6,315,727)	(6,315,727)
Balance at June 30, 2018		-	\$ -	94,511,209	\$ 25,258,124	\$ -	\$ 1,417,860	\$ (21,941,827)	\$ 4,734,157
Balance at December 31, 2018		-	\$ -	97,598,898	\$ 30,410,648	\$ 4,280,000	\$ 1,240,139	\$ (32,273,787)	\$ 3,657,000
Stock issuance for services	11	-	-	707,236	792,104	-	-	-	792,104
Stock-based compensation	12	-	-	-	-	-	2,341,104	-	2,341,104
Stock issuance for financing, net of cost	10,11	12	11,962,811	9,337,529	6,690,922	(4,280,000)	-	-	14,373,733
Stock issued due to exercise of options	11,12	-	-	394,735	754,148	-	(154,148)	-	600,000
Net loss		-	-	-	-	-	-	(14,081,337)	(14,081,337)
Balance at June 30, 2019		12	\$ 11,962,811	108,038,398	\$ 38,647,822	\$ -	\$ 3,427,095	\$ (46,355,124)	\$ 7,682,604

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 and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Cash flows used in operating activities:					
Net loss for the period		\$ (2,404,427)	\$ (4,144,398)	\$ (14,081,337)	\$ (6,315,727)
Adjustments for					
Depreciation	6	68,925	27,459	130,979	64,158
Amortization - intangible assets	7	270	693	537	1,379
Amortization - right-of-use-asset	8	127,345	-	254,690	-
Loss on fixed assets	6	1,308	-	1,308	-
Stock issued for services	11	-	1,238,513	792,104	1,238,513
Stock-based compensation		-	1,597	2,341,104	7,288
Change in non-cash operating working capital					
Trade and other receivable		(17,578)	19,754	(41,891)	(21,355)
Prepaid expenses		92,418	(241,270)	263,010	(247,764)
Deposits		(327,138)	(60,320)	(98,075)	(29,846)
Accounts payable and accrued liabilities		(5,977,134)	417,477	(579,716)	855,065
		(8,436,011)	(2,740,495)	(11,017,287)	(4,448,289)
Cash flows from financing activities:					
Cash proceeds from financing of preferred shares	10	12,000,000	-	12,000,000	-
Cash proceeds from financing of common shares	11	-	4,002,496	3,000,000	4,002,496
Cash received from stock option exercises	12	-	30,522	600,000	1,438,308
Cash paid on stock issuance costs	10,11	(33,095)	(23,806)	(626,267)	(23,806)
		11,966,905	4,009,212	14,973,733	5,416,998
Cash flows used in investing activities:					
Investment in property and equipment	6	(5,477)	(124,474)	(74,563)	(137,693)
		(5,477)	(124,474)	(74,563)	(137,693)
Increase in cash and cash equivalents		3,525,417	1,144,243	3,881,883	831,016
Cash and cash equivalents, beginning of period		2,296,731	3,134,920	1,940,265	3,448,147
Cash and cash equivalents, end of period		\$ 5,822,148	\$ 4,279,163	\$ 5,822,148	\$ 4,279,163
Supplemental cash flow information:					
Interest paid		\$ 12,164	-	\$ 18,338	-

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

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

1. Nature of operations and going concern

Zomedica Pharmaceuticals Corp. ("Zomedica" or 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. ZoMedica Pharmaceuticals Inc. was incorporated on May 14, 2015 under the Canada Business Corporations Act.

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 former holders of ZoMedica securities as consideration. The amalgamated company changed its name to Zomedica Pharmaceuticals Ltd. and WOW subsequently changed its name to Zomedica Pharmaceuticals Corp. Prior to completion of the Transaction, WOW consolidated its common shares on the basis of the one post-consolidation common share for every 2.5 pre-consolidation common shares. The Transaction constituted WOW's qualifying transaction under TSX Venture Exchange Policy 2.4 – *Capital Pool Companies*. The shares of Zomedica Pharmaceuticals Corp. began trading on the TSX Venture Exchange under the new symbol "ZOM" on Monday, May 2, 2016. On June 21, 2016, the Company filed Articles of Amalgamation and vertically amalgamated with its wholly-owned subsidiary, Zomedica Pharmaceuticals Ltd.

Zomedica has one corporate subsidiary, Zomedica Pharmaceuticals, Inc., a Delaware company whose results and operations are included in these consolidated financial statements. 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 100 Phoenix Drive, Suite 190, Ann Arbor, MI 48108 and its registered office is located at Suite 1250, 639 – 5th Avenue S.W., Calgary, Alberta T2P 0M9.

On November 20, 2017, Zomedica announced that its registration statement on Form S-1 was declared effective by the U.S. Securities and Exchange Commission and on November 21, 2017, the Company's common shares began trading on the NYSE American under the symbol "ZOM".

Going concern

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. The Company has incurred losses from operations since inception and has an accumulated deficit of \$46,355,124 as at June 30, 2019 (December 31, 2018 - \$32,273,787). The Company has funded its research and development ("R&D") activities principally through the issuance of securities and loans from related parties. There is no certainty that such funding will be available going forward. These conditions raise substantial doubt about its ability to continue as a going concern and realize its assets and pay its liabilities as they become due.

In order for the Company to continue as a going concern and fund any significant expansion of its operation or R&D activities, the Company will require significant additional capital. The Company's ultimate success will depend on whether its future product candidates receive the necessary regulatory approval and it is able to successfully market approved products. The Company cannot be certain that it will be able to receive regulatory approval for any of its future product candidates, or that it will reach the level of sales and revenues necessary to achieve and sustain profitability.

The availability of equity or debt financing will be affected by, among other things, the results of the Company's research and development, its ability to obtain regulatory approvals, the market acceptance of its products, the state of the capital markets generally, strategic alliance agreements, and other relevant commercial considerations. In addition, if the Company raises additional funds by issuing equity securities,

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

1. Nature of operations and going concern (continued)

Going concern (continued)

its then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on its part to raise additional funds on terms favorable to the Company or at all, may require the Company to significantly change or curtail its 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 the Company not taking advantage of business opportunities.

2. Basis of preparation

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

Basis of consolidation

These condensed unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned operating subsidiary, Zomedica Pharmaceuticals, Inc.

All inter-company accounts and transactions have been eliminated on consolidation.

3. Significant accounting policies

Use of estimates

The preparation of the condensed unaudited interim consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed unaudited interim consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Areas where significant judgment is involved in making estimates are: the fair values of financial assets and liabilities; the determination of fair value of stock-based compensation; the useful lives of property and equipment; deferred income taxes and forecasting future cash flows for assessing the going concern assumption.

Basis of measurement

The condensed unaudited interim consolidated financial statements have been prepared on the historical cost basis except as otherwise noted.

Functional and reporting currencies

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

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

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

3. Significant accounting policies (continued)

Research and development

Research and development costs related to continued research and development programs are expensed as incurred in accordance with ASC topic 730.

Share issue costs

Share issue costs are recorded as a reduction of the proceeds from the issuance of capital stock.

Translation of foreign currencies

In respect of other transactions denominated in currencies other than the Company and its wholly owned operating subsidiaries' functional currencies, the monetary assets and liabilities are translated at the period end rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these other transactions are recognized in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

Stock-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated.

The Company calculates stock-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option. The provisions of the Company's stock-based compensation plans do not require the Company to settle any options by transferring cash or other assets, and therefore the Company classifies the awards as equity. Stock-based compensation expense recognized during the period is based on the value of stock-based payment awards that are ultimately expected to vest.

The Company estimates forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Loss per share

Basic loss per share ("EPS") is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of options are excluded from diluted EPS if the effect of such inclusion would be anti-dilutive.

The dilutive effect of stock options is determined using the treasury stock method. Stock options to purchase common shares of the Company during the period were not included in the computation of diluted EPS because the Company has incurred a loss for the three and six months ended June 30, 2019 as the effect would be anti-dilutive.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

3. Significant accounting policies (continued)

Comprehensive loss

The Company follows ASC topic 220. This statement establishes standards for reporting and display of comprehensive (loss) income and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity. The Company has no other comprehensive loss items.

Recently adopted accounting pronouncements

In February 2016, the FASB issued new guidance, ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Additional qualitative and quantitative disclosures are also required by the new guidance. Topic 842 is effective for annual reporting periods (including interim reporting periods) beginning after December 15, 2018. Early adoption is permitted.

A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company adopted the new standard with an initial application date of January 1, 2019 and used the effective date as its date of initial application. Consequently, financial information was not updated, and the disclosures required under the new standard were not provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company has elected the 'package of practical expedients', which permits the Company not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. The Company has not elected the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to the Company.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical areas of estimation and judgements in applying accounting policies include the following:

Going concern

These condensed unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

Stock-based payments

The Company estimates the fair value of convertible securities such as options using the Black-Scholes option-pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected dividends.

Useful lives of property and equipment

The Company reviews the estimated useful lives of property and equipment with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the three and six months ended June 30, 2019, the Company was not required to adjust the useful lives of any assets based on the factors described above. Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable.

Deferred income taxes

The calculation of deferred income taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
(Stated in United States dollars)

5. Prepaid expenses and deposits

	June 30, 2019	December 31, 2018
Prepaid rent (i)	\$ -	\$ 1,613,038
Deposits (ii)	1,224,180	1,596,104
Prepaid FDA fees	62,995	-
Prepaid marketing (iii)	41,218	37,465
Prepaid insurance (iii)	780	33,372
Other (iv)	67,303	29,470
Total	\$ 1,396,476	\$ 3,309,449

- (i) On July 31, 2018, the Company entered into an amended lease agreement with Wickfield Phoenix LLC for an additional 18,640 square feet of office space. The Company prepaid the full outstanding balance of \$1,269,073. As of January 1, 2019 the balance of the prepaid rent, inclusive of the original and amended lease amounts was \$1,613,038. In accordance with ASC 842, this amount was reclassified as a right-of-use asset in the consolidated balance sheet. As of December 31, 2018, the Company classified \$509,380 as a current asset in the consolidated balance sheet;
- (ii) Deposits include payments made to vendors in advance and are primarily associated with research activity, design fees for additional office space, and equipment purchases. As of June 30, 2019 and December 31, 2018, the Company classified \$1,389,176 and \$1,867,034 as a current asset in the consolidated balance sheet, respectively;
- (iii) As of June 30, 2019 and December 31, 2018, all amounts were classified as a current asset in the consolidated balance sheet;
- (iv) Other is comprised of subscription payments and software licensing. As of June 30, 2019 and December 31, 2018, the Company classified all amounts as a current asset in the consolidated balance sheet.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
 For the three and six months ended June 30, 2019 and 2018
 (Stated in United States dollars)

6. Property and equipment

	Computer equipment	Furniture and equipment	Laboratory equipment	Leasehold improvements	Total
Cost					
Balance at December 31, 2017	\$ 151,155	\$ 76,058	\$ 245,729	\$ 36,957	\$ 509,899
Additions	18,847	105,821	246,375	256,954	627,997
Disposals	-	-	(139,467)	(10,936)	(150,403)
Balance at December 31, 2018	170,002	181,879	352,637	282,975	987,493
Additions	137,126	3,414	3,350	65,673	209,563
Disposals	(2,210)	-	-	-	(2,210)
Balance at June 30, 2019	304,918	185,293	355,987	348,648	1,194,846
Accumulated depreciation					
Balance at December 31, 2017	42,802	11,845	74,875	9,220	138,742
Depreciation	62,116	17,740	86,368	37,460	203,684
Disposals	-	-	(61,547)	(10,474)	(72,021)
Balance at December 31, 2018	104,918	29,585	99,696	36,206	270,405
Depreciation	38,683	13,153	33,785	45,358	130,979
Disposals	(902)	-	-	-	(902)
Balance at June 30, 2019	142,699	42,738	133,481	81,564	400,482
Net book value as at:					
December 31, 2018	\$ 65,084	\$ 152,294	\$ 252,941	\$ 246,769	\$ 717,088
June 30, 2019	\$ 162,219	\$ 142,555	\$ 222,506	\$ 267,084	\$ 794,364

In February 2019 the Company reclassified \$135,000 out of prepaid assets into property and equipment.

7. Intangible assets

	Computer software	Trademarks	Total intangible assets
Cost			
Balance at December 31, 2017	\$ 5,143	\$ 16,236	\$ 21,379
Additions	-	-	-
Balance at December 31, 2018	5,143	16,236	21,379
Additions	-	-	-
Balance at June 30, 2019	5,143	16,236	21,379
Accumulated amortization			
Balance at December 31, 2017	4,143	2,095	6,238
Amortization	1,000	1,083	2,083
Balance at December 31, 2018	5,143	3,178	8,321
Amortization	-	537	537
Balance at June 30, 2019	5,143	3,715	8,858
Net book value as at:			
December 31, 2018	\$ -	\$ 13,058	\$ 13,058
June 30, 2019	\$ -	\$ 12,521	\$ 12,521

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
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8. Leases

As discussed in Note 3, the Company adopted ASC 842 with an initial application date of January 1, 2019. The Company is party to two lease agreements under which it rents office and laboratory space. The rent for both of these leases was prepaid upon inception and therefore at adoption the Company reclassified its prepaid lease balances of \$1,613,038 to a right-of-use asset.

The Company amortizes the asset on a straight-line basis and records the expense in the consolidated statement of operations and comprehensive loss. During the three and six months ended June 30, 2019, the Company recognized \$127,345 and \$254,690 (2018 – nil) in amortization expense in the consolidated statements of operations and comprehensive loss.

9. Loan arrangements

On October 17, 2017, the Company entered into a loan arrangement with a shareholder of the Company, pursuant to which such shareholder has agreed to provide a loan facility to the Company, whereby the Company may borrow up to \$5,000,000, with the proceeds to be used for working capital and general corporate purposes. The term of the loan facility is five (5) years, with principal and interest payments being due only at the time of maturity. Under the loan agreement, the Company may borrow in one or more advances, provided however that a minimum amount of \$250,000 must be borrowed at any one time and not more than two advances may occur per month. Interest shall accrue at a rate of fourteen percent (14%) per annum, payable upon maturity. As of June 30, 2019, no amounts have been borrowed.

10. Preferred stock

The Company is authorized to issue 20 shares of our Series 1 Preferred Shares, all without par value, and each having a stated value of \$1,000,000. The Series 1 Preferred Shares do not have voting rights except to the extent required by applicable law and are not convertible into the Company's common shares. Holders of the Series 1 Preferred Shares will not be entitled to dividends but, in lieu thereof, will receive Net Sales Payments ("Net Sales Payments" is defined as annual payments equal to 9 percent of sales) until such time as the holders have received total Net Sales Payments equal to 9 times the aggregate stated value of the outstanding Series 1 Preferred Shares. The Company will have the right to redeem the outstanding Series 1 Preferred Shares at any time at a redemption price equal to 9 times the aggregate stated value of the Series 1 Preferred Shares outstanding less the aggregate amount of the Net Sales Payments paid (the "Redemption Amount").

Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series 1 Preferred Shares will be entitled to a liquidation preference equal to the stated value of the Series 1 Preferred Shares less the Net Sales Payments paid on the Series 1 Preferred Shares.

In the event of a fundamental transaction (defined to include an amalgamation, merger or other business combination transaction involving our company in which our shareholders do not have the right to cast more than 50% of the votes that may be cast for the election of directors, or a sale, lease or other disposition of the properties and/or assets of our company as an entirety or substantially as an entirety to a third party), the holders of the Series 1 Preferred Shares will be entitled to receive consideration for their Series 1 Preferred Shares equal to a multiple of the stated value of the Series 1 Preferred Shares ranging from 5.0 to 9.0 depending on the timing of the fundamental transaction, subject to a cap equal to the redemption amount. The Company has assessed the likelihood of any Net Sales Payments to the Series 1 Preferred shareholders to be remote.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements

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10. Preferred stock (continued)

Issued and outstanding preferred stock:

	Number of preferred stock	Preferred stock amount
Balance at December 31, 2018	-	\$ -
Stock issued from financing (i)	12	11,962,811
Balance at June 30, 2019	12	\$ 11,962,811

- (i) On May 9, 2019, the Company entered into subscription agreements to sell \$12,000,000 of its Series 1 Preferred Shares to an accredited investor in a private placement at a purchase price of \$1,000,000 per Series 1 Preferred Share; \$5,000,000 of the purchase price was paid on May 9, 2019 and the remaining \$7,000,000 was paid on June 7, 2019. The Company recorded \$37,189 of share issuance costs as an offset to preferred stock.

11. Common stock

The Company is authorized to issue an unlimited number of common shares, all without par value.

Issued and outstanding common stock:

	Number of common stock	Common stock amount
Balance at December 31, 2017	90,225,869	\$ 18,244,659
Stock issuance for services	641,717	1,238,513
Stock issued due to exercise of options	1,781,996	1,796,262
Stock issuance for financing, net of costs	1,861,627	3,978,690
Balance at June 30, 2018	94,511,209	\$ 25,258,124
Balance at December 31, 2018	97,598,898	\$ 30,410,648
Stock issued for services (i and ii)	707,236	792,104
Stock issued from financing (iii and iv)	9,337,529	6,690,922
Stock issued due to exercise of options	394,735	754,148
Balance at June 30, 2019	108,038,398	\$ 38,647,822

- (i) On January 14, 2019, the Company settled \$75,000 of amounts due to a vendor by issuing 49,342 common shares valued at \$55,263 at the date of issuance. The Company recorded a \$19,737 gain on the settlement of liabilities;
- (ii) On January 14, 2019, the Company issued 657,894 common shares in satisfaction of \$1,000,000 of all remaining milestones under a License and Supply Agreement with a third party. The Company recognized \$736,841 as research and development expense, based on the value of the common stock on the date of issuance;
- (iii) On January 14, 2019, the Company completed a non-brokered private placement, and issued 2,815,789 common shares. Gross proceeds of \$4,280,000 were received prior to December 31, 2018. The Company recorded \$465 of share issuance costs as an offset to common stock;
- (iv) On March 28, 2019, the Company completed an underwritten public offering of its common stock pursuant to which the Company sold an aggregate 6,521,740 common shares for gross proceeds of \$3,000,000. The Company recorded \$592,707 of share issuance costs as an offset to common stock in the three month period ended March 31, 2019. A decrease of \$4,094 in share issuance costs was recorded as an offset to common stock in the three month period ended June 30, 2019.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements

For the three and six months ended June 30, 2019 and 2018

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12. Stock-based compensation

During the three months ended June 30, 2019, nil options were exercised. During the three months ended June 30, 2018, 154,000 options were exercised. During the six months ended June 30, 2019, 394,735 options were exercised. During the six months ended June 30, 2018, 1,781,996 options were exercised. During the three months ended June 30, 2019, the Company issued nil stock options. During the six months ended June 30, 2019, the Company issued 5,995,000 stock options, each option entitling the holder to purchase one common share of the Company. During the three and six months ended June 30, 2018, the Company issued nil options.

The continuity of stock options are as follows:

	Number of options	Weighted avg exercise price (US\$) (i)
Balance at December 31, 2018	422,004	\$ 1.95
Stock options granted January 10, 2019	5,995,000	1.52
Stock options expired February 24, 2019	(35,000)	1.12
Stock options exercised March 8, 2019	(164,473)	1.52
Stock options exercised March 15, 2019	(164,473)	1.52
Stock options exercised March 29, 2019	(65,789)	1.52
Stock options expired May 23, 2019	(10,000)	1.52
Stock options expired June 16, 2019	(40,000)	1.52
Balance at June 30, 2019	5,937,269	\$ 1.56

(i) As of the year ended December 31, 2018, the weighted average exercised price in CDN\$ was \$2.65.

As at June 30, 2019, details of the issued and outstanding stock options were as follows:

Grant date	Exercise price (US\$)	Number of options issued and outstanding	Number of vested options outstanding	Weighted avg remaining life (years)
August 14, 2017	\$ 2.16	387,004	387,004	0.12
January 10, 2019	\$ 1.52	5,550,265	5,550,265	1.53

The fair value of options granted during the three and six months ended June 30, 2019 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	January 10, 2019
Volatility	68%
Risk-free interest rate	2.56%
Expected life	2 years
Dividend yield	0%
Common share price	\$1.23
Strike price	\$1.52
Forfeiture rate	nil

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
For the three and six months ended June 30, 2019 and 2018
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12. Stock-based compensation (continued)

The Company recorded nil of stock-based compensation for the three months ended June 30, 2019 (three months ended June 30, 2018 - \$1,597). The Company recorded \$2,341,104 of stock-based compensation for the six months ended June 30, 2019 (six months ended June 30, 2018 - \$7,288). The Company recorded nil in cash receipts due to the exercise of options during the three months ended June 30, 2019. The Company recorded the cash receipt of \$600,000 and reclassified \$154,148 of stock-based compensation to common stock due to the exercise of options during the six months ended June 30, 2019. The Company recorded the cash receipt of \$30,522 and reclassified \$6,517 of stock-based compensation to common stock due to the exercise of 154,000 options during the three months ended June 30, 2018. The Company recorded the cash receipt of \$1,438,308 and reclassified \$357,954 of stock-based compensation to common stock due to the exercise of 1,781,996 options during the six months ended June 30, 2018.

The Company has estimated its stock option forfeitures to be nil for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - nil).

13. Commitments and contingencies

On October 1, 2018, the Company entered into a one-year rental agreement. The Company elected not to disclose this lease in accordance with ASC 842 as it is a one-year term. Total future annual lease payments for the premises are as follows:

2019	\$	5,940
Total	\$	5,940

On November 26, 2018, the Company entered into a Development and Supply Agreement and as part of this agreement, the Company has contingent future outflows as follows:

- 1st payment: At the later of the achievement of a future milestone event or September 12, 2019, can decide to receive payment as follows:
 - \$3,000,000 in cash or
 - \$1,500,000 in cash and \$1.95 million in equity
- 2nd payment: At the later of the achievement of a future milestone or February 19, 2020 - \$2,000,000 in cash.

As at June 30, 2019, neither of the future development milestones related to the above agreement have been met.

On May 10, 2018, the Company entered into a Development, Commercialization and Exclusive Distribution Agreement. As part of the agreement, the Company is required to make the following future milestone payments:

- 1st payment: \$3,500,000 in cash payment upon the achievement of future development milestones
- 2nd payment: \$3,500,000 in equity based on the number of the Company's common stock determined by dividing the amount due by the volume-weighted average price of the Company's common stock on the NYSE American exchange over the 10 trading days prior to the achievement of the milestone event.

As at June 30, 2019, neither of the future development milestones related to the above agreement have been met.

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements
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14. Financial instruments

(a) Fair values

The Company follows ASC topic 820, "Fair Value Measurements" which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC topic 820 apply to other accounting pronouncements that require or permit fair value measurements. ASC topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date; and establishes a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the hierarchy are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs for asset or liabilities.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- (i) The Company calculates expected volatility based on historical volatility of the Company's peer group that is publicly traded for options.

An increase/decrease in the volatility would have resulted in an increase/decrease in the fair value of the options.

The carrying values of cash, trade and other receivable, accounts payable and accrued liabilities and shareholder loans payable approximates their fair values because of the short-term nature of these instruments.

(b) Interest rate and credit risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates, relative to interest rates on cash and cash equivalents, due to related parties due to the short-term nature of these balances.

The Company is also exposed to credit risk at period end from the carrying value of its cash. The Company manages this risk by maintaining bank accounts with a Canadian Chartered Bank. The Company's cash is not subject to any external restrictions.

(c) Foreign exchange risk

The Company has balances in Canadian dollars that give rise to exposure to foreign exchange ("FX") risk relating to the impact of translating certain non-U.S. dollar balance sheet accounts as these statements are presented in U.S. dollars. A strengthening U.S. dollar will lead to a FX loss while a weakening U.S. dollar will lead to a FX gain. For each Canadian dollar balance of \$1.0 million, a +/- 10% movement in the Canadian currency held by the Company versus the U.S. dollar would affect the Company's loss and other comprehensive loss by \$0.1 million.

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Notes to the condensed unaudited interim consolidated financial statements

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14. Financial instruments (continued)*(d) Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. In meeting its liquidity requirements, the Company closely monitors its forecasted cash requirements with expected cash drawdown.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at June 30, 2019 and December 31, 2018:

	June 30, 2019					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 months 1 year	Greater than 1 year	
	\$	\$	\$	\$	\$	\$
Third parties						
Accounts payable and accrued liabilities	1,796,803	-	-	-	-	1,796,803
	1,796,803	-	-	-	-	1,796,803
	December 31, 2018					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 months 1 year	Greater than 1 year	
	\$	\$	\$	\$	\$	\$
Third parties						
Accounts payable and accrued liabilities	2,376,519	-	-	-	-	2,376,519
	2,376,519	-	-	-	-	2,376,519

15. Segmented information

The Company's operations comprise a single reportable segment engaged in the research, development targeting health and wellness solutions for the companion animal. As the operations comprise a single reportable segment, amounts disclosed in the financial statements for loss for the period, depreciation and total assets also represent segmented amounts. In addition, all of the Company's long-lived assets are in the United States of America ("US").

	June 30, 2019	December 31, 2018
	\$	\$
Total assets		
Canada	711,142	383,567
US	8,768,265	5,649,952
Total US property and equipment	794,364	717,088
Total US right-of-use asset	1,358,348	-
	2,152,712	717,088

Zomedica Pharmaceuticals Corp.

Notes to the condensed unaudited interim consolidated financial statements

For the three and six months ended June 30, 2019 and 2018

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16. Schedule of expenses

	For the three months ended June 30, 2019			For the three months ended June 30, 2018		
	Research and Development	Professional Fees	General and Administrative	Research and Development	Professional Fees	General and Administrative
Salaries, bonus and benefits	\$ 232,929	\$ -	\$ 643,519	\$ 174,067	\$ -	\$ 859,268
Contracted expenditures	557,719	-	-	438,689	-	-
Marketing and investor relations	-	-	78,905	-	-	41,962
Travel and accommodation	2,727	-	62,473	3,547	-	70,463
Insurance	26,994	-	49,887	28,284	-	77,282
License fees	50,000	-	-	1,738,513	-	-
Office	13,169	-	50,342	3,129	-	61,460
Consultants	89,094	211,520	-	52,073	336,455	-
Regulatory	42,647	-	26,066	19,388	-	90,142
Rent	-	-	5,940	7,825	-	43,019
Supplies	46,228	-	4,314	69,105	-	4,894
Total	\$ 1,061,507	\$ 211,520	\$ 921,446	\$ 2,534,620	\$ 336,455	\$ 1,248,490

	For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Research and Development	Professional Fees	General and Administrative	Research and Development	Professional Fees	General and Administrative
Salaries, bonus and benefits	\$ 449,791	\$ -	\$ 3,573,022	\$ 326,440	\$ -	\$ 1,502,556
Contracted expenditures	1,812,566	-	-	708,212	-	-
Marketing and investor relations	-	-	131,415	-	-	123,155
Travel and accommodation	12,776	-	119,737	5,336	-	191,868
Insurance	56,905	-	113,338	44,244	-	157,743
License fees	5,936,841	-	-	1,738,513	-	-
Office	19,597	-	136,489	34,646	-	138,406
Consultants	148,880	950,914	-	89,189	708,402	-
Regulatory	63,645	-	50,170	38,175	-	193,700
Rent	-	-	11,880	15,652	-	86,038
Supplies	91,881	-	16,658	134,554	-	15,196
Total	\$ 8,592,882	\$ 950,914	\$ 4,152,709	\$ 3,134,961	\$ 708,402	\$ 2,408,662

17. Capital risk management

The capital of the Company includes equity, which is comprised of issued common capital stock, additional paid-in capital, and accumulated 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.

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18. Loss per share

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Numerator				
Net loss for the period	\$ 2,404,427	\$ 4,144,398	\$ 14,081,337	\$ 6,315,727
Denominator				
Weighted average shares - basic	108,038,398	92,527,470	104,528,705	91,527,862
Stock options	-	-	-	-
Denominator for diluted loss per share	108,038,398	92,527,470	104,528,705	91,527,862
Loss per share - basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.13)	\$ (0.07)

For the above-mentioned periods, 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 periods presented, as their effect would have been anti-dilutive.

19. 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		For the six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Salaries and benefits, including bonuses	\$ 375,177	\$ 381,046	\$ 635,898	\$ 721,665
Stock-based compensation	-	-	1,644,325	-
Total	\$ 375,177	\$ 381,046	\$ 2,280,223	\$ 721,665

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report, and those set forth in our most recent Annual Report on Form 10-K particularly those under "Risk Factors" discussed below and in our most recent Annual Report on Form 10-K.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on management's beliefs and assumptions and on information currently available to management. Some of the statements under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this Form 10-Q contain forward-looking statements. In some cases, you can identify forward-looking statements through our use of words such as "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- the success, cost and timing of our research and development activities, validation studies and pivotal trials, including with respect to our lead product candidates, TRUFORMA™ (formerly ZM-024), ZM-017, ZM-022, ZM-020, ZM-007, ZM-012 ZM-006, and ZM-011;
- our ability to obtain regulatory approval from the Food and Drug Administration's Center for Veterinary Medicine (FDA-CVM) and/or the USDA Center for Veterinary Biologics (USDA-CVB) for our pharmaceutical and diagnostic product candidates, as applicable;
- our ability to obtain funding for our operations;
- our obligation to pay a portion of our "net sales" to holders of our Series 1 Preferred Shares;
- our ability to raise additional capital, in light of the significant obligations under our Series 1 Preferred Shares;
- the ability of our contract research organizations to appropriately conduct our safety studies and certain development activities;
- the ability of our contract manufacturing organizations to manufacture and supply our product candidates in accordance with current Good Manufacturing Practices and our clinical needs;
- the ability of our contract manufacturing organizations to manufacture and supply our product candidates in accordance with current Good Manufacturing Practices and our clinical needs;
- our plans to develop and commercialize our product candidates;

- our ability to develop and commercialize product candidates that can compete effectively against the product candidates developed and commercialized by our competitors or that can meet the current standards of care (including human generic drugs);
- the size and growth of the veterinary diagnostics and therapeutics markets;
- our ability to obtain and maintain intellectual property protection for our current and future product candidates;
- regulatory developments in the United States;
- the loss of key scientific or management personnel;
- our expectations regarding the period during which we will be an “emerging growth company” under the JOBS Act;
- the accuracy of our estimates regarding expenses, future revenues, capital requirements and needs for additional financing; and
- our status as a “passive foreign investment company” for U.S. federal income tax purposes.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in our forward-looking statements. Please see “Risk Factors” below and in our most recent Annual Report on Form 10-K for additional risks which could adversely impact our business and financial performance.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference into this report. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. We have expressed our expectations, beliefs and projections in good faith and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished.

Overview

We are a development stage veterinary diagnostic and pharmaceutical company creating products for companion animals (canine, feline, and equine) by focusing on the unmet needs of clinical veterinarians. We believe that we have identified and are developing diagnostics and therapeutics that have the potential to significantly improve the diagnosis and treatment of various diseases affecting companion animals. We believe that there are significant unmet medical needs for pets, and that the pet diagnostic and therapeutic segments of the animal health industry are likely to grow substantially as new diagnostic tools and treatments are identified, developed, and marketed specifically for companion animals.

Together with our strategic partners, we are developing three diagnostic platforms, a Bulk Acoustic Wave sensor-based veterinary point-of-care diagnostic platform for performing immunodiagnostic testing, a Raman spectroscopy-based point-of-care diagnostic platform for the detection of pathogens, and liquid biopsy assays for the detection of cancer, along with related consumables. We believe that the regulatory pathway to approval of companion animal diagnostics is significantly shorter than for similar diagnostic products intended for human use. In certain cases, pre-market clearance may be unnecessary, depending on the intended use of the diagnostic.

We also have identified a number of drugs that have proven safe and effective in humans that we are developing for use in canines and felines. We believe this development approach enables us to reduce the risks associated with obtaining regulatory approval for unproven product candidates and shortens the development timeline necessary to bring our product candidates to market. We have four drug product candidates in early development and have identified several other potential product candidates for further investigation.

In addition, we are investigating the development of alternative drug delivery technologies for our drug product candidates. Many of the human-approved therapeutics used in companion animals are only available in pill or injectable form. However, it can be difficult to give a companion animal an injection or to assure that the animal has swallowed a pill. As a result, we believe that compliance with treatment regimens is a significant problem for veterinarians and pet owners. The challenges associated with medicating pets are unique, and we believe that developing product candidates that can be easily taken by the pet or easily administered by pet owners will help increase compliance.

We are a development-stage company with no products approved for marketing and sale, and we have not generated any revenue. We have incurred significant net losses since our inception. We incurred net losses of \$2,404,427 and \$4,144,398 for the three months ended June 30, 2019 and June 30, 2018, respectively, and \$14,081,337 and \$6,135,727 for the six months ended June 30, 2019 and June 30, 2018, respectively. These losses have resulted principally from costs incurred in connection with investigating and developing our product candidates, research and development activities and general and administrative costs associated with our operations. As of June 30, 2019, we had an accumulated deficit of \$46,355,124 and cash and cash equivalents of \$5,822,148.

For the foreseeable future, we expect to continue to incur losses, which will increase significantly from historical levels as we expand our product development activities, commercialize them if they do not require U.S. Food and Drug Administration's Center for Veterinary Medicine, or FDA-CVM, pre-market approval, seek regulatory approvals for our product candidates where required from the FDA-CVM or the United States Department of Agriculture Center for Veterinary Biologics, or the USDA-CVB.

For further information on the regulatory, business and product pipeline, please see the "Business" section of this Annual Report on Form 10-K. For further information on the risk factors, please see the "Risk Factors" section of the Annual Report on Form 10-K.

Revenue

We do not have any products approved for sale, have not generated any revenue from product sales since our inception and do not expect to generate any revenue from the sale of products in the near future. If our development efforts result in clinical success and regulatory approval or collaboration agreements with third parties for any of our product candidates, we may generate revenue from those product candidates.

Operating Expenses

The majority of our operating expenses to date have been for the general and administrative activities related to general business activities, capital market activities and stock-based compensation, and research and development activities related to our lead product candidates.

Research and Development Expense

All costs of research and development are expensed in the period in which they are incurred. Research and development costs primarily consist of salaries and related expenses for personnel, fees paid to consultants, outside service providers, professional services, travel costs and materials used in clinical trials and research and development.

We have a point-of-care biosensor platform, TRUFORMA™ that we are developing for diagnosis and treatment management of disorders such as thyroid and adrenal disorders, a non-invasive diagnostic assay or blood test, that we are developing as an aid for veterinarians in diagnosing cancer in canines, and a diagnostic instrument and related assays, for the detection of pathogens in urine and fecal samples at the point-of-care.

We have four drug product candidates in development. Our lead drug product candidate is ZM-007, an oral suspension formulation of metronidazole targeting the treatment of acute diarrhea in small dog breeds and puppies under nine pounds or four kilograms. Our second drug product candidate is ZM-012, a novel tablet formulation of metronidazole, most commonly known as Flagyl™, its human pharmaceutical brand name, and a complementary formulation to ZM-007, targeting the treatment of acute diarrhea in larger dogs. Our third drug product candidate is ZM-006, a transdermal gel formulation of methimazole, most commonly known as Tapazole™, its human pharmaceutical brand name, and Felimazole™, its feline pharmaceutical brand name, targeting hyperthyroidism in cats. Our fourth drug product candidate is ZM-011, a transdermal gel formulation of fluoxetine, most commonly known as Prozac™, its human pharmaceutical brand name.

General and Administrative Expense

General and administrative expense consists primarily of personnel costs, including salaries, related benefits and stock-based compensation for employees, consultants and directors. General and administrative expenses also include rent and other facilities costs and professional and consulting fees for legal, accounting, tax services and other general business services.

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.

Income Taxes

As of December 31, 2018, we had net operating loss carryforwards for federal and state income tax purposes of \$11,522,620 and non-capital loss carryforwards for Canada of approximately \$13,353,870, which will begin to expire in fiscal year 2036. We have evaluated the factors bearing upon the realizability of our deferred tax assets, which are comprised principally of net operating loss carryforwards and non-capital loss carryforwards. We concluded that, due to the uncertainty of realizing any tax benefits as of December 31, 2018, a valuation allowance was necessary to fully offset our deferred tax assets.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and revenue, costs and expenses and related disclosures during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those described below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 3 of the notes to our consolidated financial statements appearing elsewhere in this document, we believe that the estimates and assumptions involved in the following accounting policies may have the greatest potential impact on our financial statements.

JOBS Act

The Jumpstart Our Business Startups Act, or the JOBS Act, contains provisions that, among other things, reduce certain reporting requirements for an "emerging growth company." We have irrevocably elected not to avail ourselves of the JOBS Act provision that an emerging growth company may delay adopting new or revised accounting standards until such times as those standards apply to private companies.

In addition, we are in the process of evaluating the benefits of relying on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an "emerging growth company" we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404, and (ii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis). These exemptions will apply until December 31, 2022 or until we no longer meet the requirements of being an "emerging growth company," whichever is earlier.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year. Actual results could differ from those estimates.

Areas where significant judgment is involved in making estimates are: the fair values of financial assets and liabilities; the determination of fair value of stock-based compensation; the useful lives and recoverability of property and equipment; deferred income taxes and forecasting future cash flows for assessing the going concern assumption.

Research and Development Costs

Research and development expenses comprise costs incurred in performing research and development activities, including salaries and benefits, safety and efficacy studies and contract manufacturing costs, contract research costs, patent procurement costs, materials and supplies and occupancy costs. Research and development activities include internal and external activities associated with research and development studies of current product candidates and advancing product candidates towards a goal of obtaining regulatory approval to manufacture and market the product candidate.

Research and development costs related to continued research and development programs are expensed as incurred in accordance with ASC topic 730.

Translation of Foreign Currencies

The functional currency, as determined by management, is U.S. dollars, which is also our reporting currency. Transactions denominated in currencies other than U.S. dollars and the monetary value of assets and liabilities are translated at the period end exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these other transactions are recognized in the consolidated statements of operations and comprehensive loss.

Stock-Based Compensation

We measure the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the goods or services received by us cannot be reliably estimated.

We calculate stock-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option. The provisions of our stock-based compensation plans do not require us to settle any options by transferring cash or other assets, and therefore we classify the awards as equity. Stock-based compensation expense recognized during the period is based on the value of stock-based payment awards that are ultimately expected to vest. We estimate forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Volatility is determined based on volatilities of comparable companies when the Company does not have its own trading history. The expected term, which represents the period of time that options granted are expected to be outstanding, is estimated based on an average of the term of the options. The risk-free rate assumed in valuing the options is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is nil as we are not expected to pay dividends in the foreseeable future.

Loss Per Share

Basic loss per share, or EPS, is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of options, warrants and convertible securities are excluded from diluted EPS if the effect of such inclusion would be anti-dilutive.

The dilutive effect of stock options is determined using the treasury stock method. Stock options and warrants to purchase our common shares issued during the period were not included in the computation of diluted EPS, as the effect would be anti-dilutive.

Comprehensive Loss

We follow ASC topic 220. This statement establishes standards for reporting and display of comprehensive (loss) income and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity. We currently have no other comprehensive loss items.

Results of Operations

Three and six months ended June 30, 2019 compared to three and six months ended June 30, 2018

Our results of operations for the three and six months ended June 30, 2019 and June 30, 2018 are as follows:

	Three months ended June 30,				Six months ended June 30,			
	2019	2018	Change	%	2019	2018	Change	%
	\$	\$	\$	%	\$	\$	\$	%
Expenses								
Research and development	1,061,507	2,534,620	(1,473,113)	-58%	8,592,882	3,134,961	5,457,921	174%
General and administrative	921,446	1,248,490	(327,044)	-26%	4,152,709	2,408,662	1,744,047	72%
Professional fees	211,520	336,455	(124,935)	-37%	950,914	708,402	242,512	34%
Amortization - right-of-use asset	127,345	-	127,345	N/A	254,690	-	254,690	N/A
Amortization - intangible	270	693	(423)	-61%	537	1,379	(842)	-61%
Depreciation	68,925	27,459	41,466	151%	130,979	64,158	66,821	104%
Loss from operations	2,391,013	4,147,717	(1,756,704)	-42%	14,082,711	6,317,562	7,765,149	123%
Loss on fixed assets	1,308	-	1,308	N/A	1,308	-	1,308	N/A
Interest expense	12,164	-	12,164	N/A	18,338	-	18,338	N/A
Gain on settlement of liabilities	-	-	-	N/A	(19,737)	-	(19,737)	N/A
Foreign exchange gain	(58)	(3,319)	3,261	-98%	(1,283)	(1,835)	552	-30%
Loss before income taxes	2,404,427	4,144,398	(1,739,971)	-42%	14,081,337	6,315,727	7,765,610	123%
Income tax expense	-	-	-	N/A	-	-	-	N/A
Net loss and comprehensive loss	2,404,427	4,144,398	(1,739,971)	-42%	14,081,337	6,315,727	7,765,610	123%

Revenue

We did not generate any revenue during the three and six months ended June 30, 2019 and June 30, 2018.

Research and Development

Research and development expense for the three months ended June 30, 2019 was \$1,061,507 compared to \$2,534,620 for the three months ended June 30, 2018, a decrease of \$1,473,113 or 58%. The decrease was primarily due to the payment in the 2018 period of an up-front licensing fee of \$1,738,513 to Seraph Biosciences, Inc. ("Seraph") upon the execution of our development, commercialization and exclusive distribution agreement and \$333,247 of additional development costs due to Seraph. This decrease was partially offset by a \$119,030 increase in contract expenditures principally related to development of the five assays for TRUFORMA™ in the June 2019 period, as well as a \$58,862 increase in salaries, bonus and benefits and \$50,000 in additional licensing fees upon the achievement of milestone activities under our license and supply agreement with Celsee, Inc. ("Celsee").

Research and development expense for the six months ended June 30, 2019 was \$8,592,882 compared to \$3,134,961 for the six months ended June 30, 2018, an increase of \$5,457,921 or 174%. The increase was primarily due to \$5,000,000 of expenses recognized upon the achievement of development milestones relating to TRUFORMA™ under our development and supply agreement with Qorvo Biotechnologies, LLC. (“Qorvo”) and \$736,841 of additional milestone expenses relating to our development of ZM-017 under our license and supply agreement with Celsee, as well as a \$123,351 increase in salaries, bonus and benefits and an increase of \$59,691 in consulting expenses. The increase was partially offset by expenses in the 2018 period of an up-front licensing fee of \$1,738,513 to Seraph upon the execution of our development, commercialization and exclusive distribution agreement and \$333,247 of additional development fees due to Seraph.

General and Administrative

General and administrative expense for the three months ended June 30, 2019 was \$921,446, compared to \$1,248,490 for the three months ended June 30, 2018, a decrease of \$327,044 or 26%. The decrease was primarily due to \$215,749 of accrued severance payments incurred in the 2018 period to a former officer of the Company, and the reclassification of rent expense to amortization of right-of-use asset of \$127,345.

General and administrative expense for the six months ended June 30, 2019 was \$4,152,709, compared to \$2,408,662 for the six months ended June 30, 2018, an increase of \$1,744,047 or 72%. The increase was primarily due to a \$2,070,466 increase in salaries, bonus and benefits, which included share-based compensation expense of \$2,341,104. After adjusting for the share-based compensation expense, general and administrative expense decreased \$597,057 or 25% primarily as a result of a \$270,638 decrease in salaries, bonus and benefits, and the reclassification of rent expense to amortization of right-of-use asset of \$254,690.

Professional Fees

Professional fees for the three months ended June 30, 2019 were \$211,520 compared to \$336,455 for the three months ended June 30, 2018, a decrease of \$124,935 or 37%. The decrease was due to a reduction in legal and consulting fees associated with SEC and related filings.

Professional fees for the six months ended June 30, 2019 were \$950,914 compared to \$708,402 for the six months ended June 30, 2018, an increase of \$242,512 or 34%. The increase was primarily due to increased expenses related to the filing of our S-3 resale registration statement and our S-8 registration statement.

Net Loss

Our net loss for the three months ended June 30, 2019 was \$2,404,427 or \$0.02 per share, compared with a net loss of \$4,144,398 or \$0.04 per share, for the three months ended June 30, 2018, a decrease of \$1,739,971 or 42%. The net loss in each period was attributed to the matters described above.

Our net loss for the six months ended June 30, 2019 was \$14,081,337 or \$0.13 per share, compared with a net loss of \$6,315,727 or \$0.07 per share, an increase of \$7,765,610 or 123%. The net loss in each period was attributed to the matters described above. We expect to continue to record net losses in future periods until such time as we have sufficient revenue from our product candidates to offset our operating expenses.

Cash Flows

Three and six months ended June 30, 2019 compared to three and six months ended June 30, 2018

The following table shows a summary of our cash flows for the periods set forth below:

	Three months ended June 30,				Six months ended June 30,			
	2019	2018	Change		2019	2018	Change	
	\$	\$	\$	%	\$	\$	\$	%
Cash flows used in operating activities	(8,436,011)	(2,740,495)	(5,695,516)	208%	(11,017,287)	(4,448,289)	(6,568,998)	148%
Cash flows from financing activities	11,966,905	4,009,212	7,957,693	198%	14,973,733	5,416,998	9,556,735	176%
Cash flows used in investing activities	(5,477)	(124,474)	118,997	-96%	(74,563)	(137,693)	63,130	-46%
Increase in cash	3,525,417	1,144,243	2,381,174	208%	3,881,883	831,016	3,050,867	367%
Cash and cash equivalents, beginning of period	2,296,731	3,134,920	(838,189)	-27%	1,940,265	3,448,147	(1,507,882)	-44%
Cash and cash equivalents, end of period	5,822,148	4,279,163	1,542,985	36%	5,822,148	4,279,163	1,542,985	36%

Operating Activities

Net cash used in operating activities for the three months ended June 30, 2019 was \$8,436,011, compared to \$2,740,495 for the three months ended June 30, 2018, an increase of \$5,695,516 or 208%. The largest use of cash was the payment of \$5,000,000 upon the achievement of development milestones relating to TRUFORMA™ under our development and supply agreement with Qorvo. Other increased uses of cash included an increase in salaries, bonus and benefits as we had 25 employees at June 30, 2019 compared to 20 employees at June 30, 2018. Additional uses of cash include costs associated with deposits on research and development projects, regulatory costs, insurance and professional fees, and reporting costs associated with being subject to U.S. securities law reporting obligations and pre-marketing activities.

Net cash used in operating activities for the six months ended June 30, 2019 was \$11,017,287, compared to \$4,448,289 for the three months ended June 30, 2018, an increase of \$6,568,998 or 148%. The largest use of cash was the payment of \$5,000,000 upon the achievement of development milestones relating to TRUFORMA™ under our development and supply agreement with Qorvo. Other increased uses of cash included an increase in salaries, bonus and benefits as we had 25 employees at June 30, 2019 compared to 20 employees at June 30, 2018. Additional uses of cash include costs associated with deposits on research and development projects, regulatory costs, insurance and professional fees, and reporting costs associated with being subject to U.S. securities law reporting obligations and pre-marketing activities.

Net cash used in operating activities for the three and six months ended June 30, 2018 was \$2,740,495, and \$4,448,289, which resulted primarily from our net loss of \$4,144,398 and \$6,315,727, respectively. The largest use of cash stemmed from an increase in salaries, bonus and benefits. Other significant uses of cash included the Seraph up-front licensing fee cash payment of \$500,000, increased regulatory and insurance expenses related to our listing on the NYSE American, and increased travel and accommodation expenses related to business development and pre-marketing activities.

Financing Activities

Net cash from financing activities for the three months ended June 30, 2019 was \$11,966,905, compared to \$4,009,212 for the three months ended June 30, 2018 an increase of \$7,957,693 or 198%. Cash from financing activities resulted primarily from the \$12,000,000 private offering of our preferred shares, net of financing costs.

Net cash from financing activities for the six months ended June 30, 2019 was \$14,973,733, compared to \$5,416,998 for the six months ended June 30, 2018 an increase of \$9,556,735 or 176%. Cash from financing activities resulted from the \$12,000,000 private offering of our preferred shares and \$3,000,000 from the underwritten public offering of our common stock, net of financing costs, and \$600,000 from the exercise of stock options.

Net cash from financing activities for the three and six months ended June 30, 2018 was \$4,009,212 and \$5,416,998, which was due to cash proceeds from financing and the exercise of stock options.

Investing Activities

Net cash used in investing activities for the three months ended June 30, 2019 was \$5,477, compared to \$124,474 for the three months ended June 30, 2018, a decrease of \$118,997 or 96%. Net cash used in investing activities during the 2018 period included the build-out of office space, and purchases of lab and office equipment for our new Ann Arbor facility, which was completed in the third quarter of 2018.

Net cash used in investing activities for the six months ended June 30, 2019 was \$74,563, compared to \$137,693 for the six months ended June 30, 2018, a decrease of \$63,130 or 46%. Net cash used in investing activities during the 2018 period included the build-out of office space, and purchases of lab and office equipment for our new Ann Arbor facility, which was completed in the third quarter of 2018.

Liquidity and Capital Resources

We have incurred losses and negative cash flows from operations and have not generated any revenue since our inception in May 2015. As of June 30, 2019, we had an accumulated deficit of \$46,355,124. We have funded our working capital requirements primarily through the sale of our preferred and common shares and the exercise of stock options.

As at June 30, 2019, the Company had cash of \$5,822,148, prepaid expenses and deposits of \$1,389,176, and accounts receivable of \$95,550. Current assets amounted to \$7,306,874 with current liabilities of \$1,796,803, resulting in working capital (defined as current assets minus current liabilities) of \$5,510,071.

In the second quarter of 2019, we sold \$12,000,000 of our Series 1 Preferred Shares to an accredited investor in a private placement at a purchase price of \$1,000,000 per Series 1 Preferred Share. Each Series 1 Preferred Share has a stated value of \$1,000,000. The Series 1 Preferred Shares do not have voting rights except to the extent required by applicable law and are not convertible into the Company's common shares. Holders of the Series 1 Preferred Shares will not be entitled to dividends but, in lieu thereof, will receive Net Sales Payments until such time as the holders have received total Net Sales Payments equal to 9 times the aggregate stated value of the outstanding Series 1 Preferred Shares. We will have the right to redeem the outstanding Series 1 Preferred Shares at any time at a redemption price equal to 9 times the aggregate stated value of the Series 1 Preferred Shares outstanding less the aggregate amount of the Net Sales Payments paid (the "Redemption Amount"). Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series 1 Preferred Shares will be entitled to a liquidation preference equal to the stated value of the Series 1 Preferred Shares less the Net Sales Payments paid on the Series 1 Preferred Shares. In the event of a fundamental transaction (defined in the Series 1 Preferred Shares to include an amalgamation, merger or other business combination transaction involving our company in which our shareholders do not have the right to cast more than 50% of the votes that may be cast for the election of directors, or a sale, lease or other disposition of the properties and/or assets of our company as an entirety or substantially as an entirety to a third party), the holders of the Series 1 Preferred Shares will be entitled to receive consideration for their Series 1 Preferred Shares equal to a multiple of the stated value of the Series 1 Preferred Shares ranging from 5.0 to 9.0 depending on the timing of the fundamental transaction, subject to a cap equal to the Redemption Amount.

In December 2018, we entered into an at-the-market equity offering sales agreement with Cantor Fitzgerald & Co. under which we may sell pursuant to the universal shelf registration statement common shares in the United States only, from time to time, for up to \$50.0 million and was amended on March 25, 2019 to \$10.0 million in aggregate sales proceeds in "at the market" transactions. No sales of common shares were made under the sales agreement in the second quarter, and the program was inactive at June 30, 2019.

On October 17, 2017 we entered into a five-year \$5,000,000 unsecured working capital facility with Equidebt LLC, one of our shareholders (the "Equidebt Facility"). Amounts borrowed under the Equidebt Facility bear interest at a rate of 14% per annum payable at maturity. All amounts borrowed under the Equidebt Facility become due and payable on October 17, 2022. We can make two borrowings per month under the Equidebt Facility, each of which must be for a minimum of \$250,000. The Equidebt Facility is unsecured; however Gerald A. Solensky Jr., our Chairman of the Board, President and Chief Executive Officer, has personally guaranteed our obligations under the Equidebt Facility. As of June 30, 2019, no amounts were outstanding under the Equidebt Facility.

If we raise additional funds by issuing equity securities, our existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict operations. In the event that we are unable to obtain sufficient capital to meet our working capital requirements, we may be required to change or curtail current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated. In such an event, we may not be able to take advantage of business opportunities, and may have to terminate or delay safety and efficacy studies, curtail our product development programs, or sell or assign rights to our product candidates, products and technologies.

Our future capital requirements depend on many factors, including, but not limited to:

- the scope, progress, results and costs of researching and developing our current or future product candidates;
- the timing of, and the costs involved in, obtaining regulatory approvals for any of our current or future product candidates;
- the number and characteristics of the product candidates we pursue;
- the cost of manufacturing our current and future product candidates and any products we successfully commercialize;
- the cost of commercialization activities if any of our current or future product candidates are approved for sale, including marketing, sales, service, customer support and distribution costs;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements; and
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing possible patent claims, including litigation costs and the outcome of any such litigation.

Off Balance Sheet Arrangements

Since inception, we have not engaged in the use of any off-balance sheet arrangements, such as structured finance entities, special purpose entities or variable interest entities.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued new guidance, ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Additional qualitative and quantitative disclosures are also required by the new guidance. Topic 842 is effective for annual reporting periods (including interim reporting periods) beginning after December 15, 2018. Early adoption is permitted.

A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company adopted the new standard with an initial application date of January 1, 2019 and used the effective date as its date of initial application. Consequently, financial information were not updated, and the disclosures required under the new standard were not provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company has elected the ‘package of practical expedients’, which permits the Company not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. The Company has not elected the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.**Disclosure Controls and Procedures***Evaluation of Our Disclosure Controls*

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, our chief executive officer and our chief financial officer, to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2019, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of June 30, 2019.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors.

RISK FACTORS

Risks Related to Our Business

We have a limited operating history, are not profitable and may never become profitable.

We have not generated any revenue to date, and we expect to continue to incur significant research and development costs and other expenses. Our net loss and comprehensive loss for the three months ended June 30, 2019 and June 30, 2018 was \$2,404,427 and \$4,144,398, respectively, for the six months ended June 30, 2019 and June 30, 2018 was \$14,081,337 and \$6,315,727, respectively, and for the years ended December 31, 2018 and December 31, 2017 was \$16,647,687 and \$8,065,075, respectively. Our accumulated deficit as of June 30, 2019 was \$46,355,124. As of June 30, 2019, we had total shareholders' equity of \$7,682,604. We expect to continue to incur losses for the foreseeable future, which will increase significantly from historical levels as we expand our product development activities (including conducting required clinical studies and trials), seek necessary approvals for our product candidates, and begin commercialization activities. Even if we succeed in developing and broadly commercializing one or more of our product candidates, we expect to continue to incur losses for the foreseeable future, and we may never become profitable. If we fail to achieve or maintain profitability, then we may be unable to continue our operations at planned levels and be forced to reduce or cease operations.

We will need to raise additional capital to achieve our goals.

We do not have any products approved for sale. Although we believe that we do not require pre-market approval from the U.S. Food and Drug Administration's Center for Veterinary Medicine, or the FDA-CVM, to market and sell our point-of-care biosensor platform TRUFORMA™, our point-of-care pathogen detection platform (ZM-020), or the circulating tumor cell, or CTC, diagnostic assay and lymphoma assay (ZM-017 and ZM-022, respectively) that we are developing, we do not expect to commence marketing of these solutions until the first half of 2020.

Until, and unless, we receive approval from the FDA-CVM for our drug product candidates, we cannot market or sell our drug products in the United States and will have no material drug product revenue. Our lead drug product candidates are in the formulation, optimization and/or pilot study stage, and we have not yet begun pivotal trials. We anticipate that each of our drug product candidates will require approximately five years of development at a cost of approximately \$6 million per drug product candidate before we expect to be able to apply for marketing approval in the United States. In addition, certain assays that we may choose to pursue for use in our diagnostic platforms may require pre-market regulatory approval.

We are also seeking to identify potential complementary opportunities in the veterinary diagnostics and therapeutics sectors. We will continue to expend substantial resources for the foreseeable future to develop our existing product candidates and any other product candidates that we may develop or acquire. These expenditures will include: costs of developing and validating our diagnostic product candidates and related assays and consumables; costs associated with drug formulation; costs associated with conducting pilot and pivotal trials and clinical studies; costs associated with completing other research and development activities; costs of identifying additional potential product candidates; costs associated with payments to technology licensors and maintaining other intellectual property; costs of obtaining regulatory approvals; costs associated with securing contract manufacturers to meet our commercial manufacturing and supply capabilities; and costs associated with marketing and selling our products. In addition, under our existing development agreements, we are required make significant cash milestone payments to our development partners and to pay certain development costs. We do not control the timing of these payments. We also may incur unanticipated costs. Because the outcome of our development activities and commercialization efforts is inherently uncertain, the actual amounts necessary to successfully complete the development and commercialization of our existing or future product candidates may be greater or less than we anticipate.

As a result, we will need to obtain additional capital to fund the development of our business. Except for our \$5,000,000 unsecured working capital loan we have no existing agreements or arrangements with respect to any financings, and any such financings may result in dilution to our shareholders, the imposition of debt covenants and repayment obligations or other restrictions that may adversely affect our business or the value of our common shares.

Our future capital requirements depend on many factors, including, but not limited to:

- the scope, progress, results and costs of researching and developing our existing or future diagnostics and product candidates;
- the extent to which any of our future diagnostic assays may be subject to USDA-CVB pre-market regulation;
- the timing of, and the costs involved in, obtaining regulatory approvals for any of our existing or future diagnostics or product candidates;
- the number and characteristics of the diagnostics and/or product candidates we pursue;
- the cost of contract manufacturers to manufacture our existing and future diagnostics and product candidates and any products we successfully commercialize;
- the cost of commercialization activities if any of our existing or future diagnostics and product candidates are approved for sale, including marketing, sales and distribution costs;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements; and
- the costs involved in preparing and filing patent applications, maintaining any successfully obtained patents and protecting and enforcing any such patents.

Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate one or more of our product development programs or any future commercialization efforts.

In March of 2019, we completed an underwritten public offering of our common shares for \$3,000,000 and in June of 2019, we completed a private offering of our Series 1 Preferred Shares for \$12,000,000, however, we will need to obtain additional capital to fund the development of our business.

Risks Related to Our Securities

We will be obligated to pay a significant portion of our net sales to the holders of our Series 1 Preferred Shares. This payment obligation will materially and adversely affect our liquidity and capital resources, may adversely impact our ability to raise additional capital, and could adversely affect the trading price of our common shares.

We are obligated to make annual payments to the holders of our Series 1 Preferred Shares in an amount equal to nine percent of the net sales (as defined in the Series 1 Preferred Shares), if any, of our company and our affiliates (the "Net Sales Payments") until such time as the holders have received total Net Sales Payments equal to nine times the aggregate stated value of the outstanding Series 1 Preferred Shares. Such payments will materially and adversely affect our liquidity and capital resources which could result in a shortage of capital necessary to fund our operations or to take advantage of business opportunities as they arise. Our obligation to make these payments may make it more difficult for us to raise additional capital on terms acceptable to us, or at all. This payment obligation also may adversely affect investor perceptions of our company which could adversely affect the trading price of our common shares.

In the event of a sale of our company, holders of our Series 1 Preferred Shares will be entitled to a substantial premium on the purchase price they paid for their Series 1 Preferred Shares, which will reduce the sale proceeds to be received by holders of our common shares.

In the event that our company is the subject of a “fundamental transaction” (defined in the Series 1 Preferred Shares to include an amalgamation, merger or other business combination transaction involving our company in which our shareholders do not have the right to cast more than 50% of the votes that may be cast for the election of directors, or a sale, lease or other disposition of the properties and/or assets of our company as an entirety or substantially as an entirety to a third party) the holders of the Series 1 Preferred Shares will have the right, in preference to the holders of our common shares, to receive a portion of the aggregate consideration paid in the fundamental transaction that will represent a substantial premium on the purchase price they paid for their Series 1 Preferred Shares. Such premium will reduce the proceeds of any such fundamental transaction that would be received by holders of our common shares.

In the event of the liquidation, dissolution or winding up of our company, holders of the Series 1 Preferred Shares will have a liquidation preference over holders of our common shares and if the net assets of our company available for distribution to holders of our equity securities is not sufficient to pay this liquidation preference in full, holders of our common shares would receive no liquidating distribution in respect of their common shares.

In the event of the liquidation, dissolution or winding up of our company, holders of the Series 1 Preferred Shares will have a liquidation preference equal to the stated value of the Series 1 Preferred Shares less the Net Sales Payments paid on the Series 1 Preferred Shares before holders of our common shares would be entitled to any proceeds of such liquidation, dissolution or winding up. If the net assets of our company available for distribution to holders of our equity securities is not sufficient to pay this liquidation preference in full, holders of our common shares would receive no liquidating distribution in respect of their common shares.

Risks Related to Intellectual Property

Our ability to obtain intellectual property protection for our product candidates is limited.

Our diagnostic technologies are dependent on intellectual property developed by our strategic partners and licensed to us. We do not own the intellectual property rights that underlie these technology licenses. Our rights to use the technology we license are subject to the negotiation of, continuation of and compliance with the terms of our licenses. However, we have filed three U.S. patent applications and two Patent Cooperation Treaty (PCT) applications for U.S. and international protection of our diagnostic tests. These applications cover tests developed for our ZM-017, ZM-022 and ZM-020 technology platforms. Even if such patents are issued, we do not expect that all of the patents will provide significant protection for our intellectual property.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In the second quarter of 2019, we sold \$12,000,000 of our Series 1 Preferred Shares to an accredited investor in a private placement at a purchase price of \$1,000,000 per Series 1 Preferred Share. Each Series 1 Preferred Share has a stated value of \$1,000,000. The Series 1 Preferred Shares do not have voting rights except to the extent required by applicable law and are not convertible into the Company's common shares. Holders of the Series 1 Preferred Shares will not be entitled to dividends but, in lieu thereof, will receive Net Sales Payments until such time as the holders have received total Net Sales Payments equal to 9 times the aggregate stated value of the outstanding Series 1 Preferred Shares. We will have the right to redeem the outstanding Series 1 Preferred Shares at any time at a redemption price equal to 9 times the aggregate stated value of the Series 1 Preferred Shares outstanding less the aggregate amount of the Net Sales Payments paid (the "Redemption Amount"). Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series 1 Preferred Shares will be entitled to a liquidation preference equal to the stated value of the Series 1 Preferred Shares less the Net Sales Payments paid on the Series 1 Preferred Shares. In the event of a fundamental transaction (defined in the Series 1 Preferred Shares to include an amalgamation, merger or other business combination transaction involving our company in which our shareholders do not have the right to cast more than 50% of the votes that may be cast for the election of directors, or a sale, lease or other disposition of the properties and/or assets of our company as an entirety or substantially as an entirety to a third party), the holders of the Series 1 Preferred Shares will be entitled to receive consideration for their Series 1 Preferred Shares equal to a multiple of the stated value of the Series 1 Preferred Shares ranging from 5.0 to 9.0 depending on the timing of the fundamental transaction, subject to a cap equal to the Redemption Amount. The Series 1 Preferred Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being sold pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act and/or Rule 506(b) of Regulation D promulgated thereunder. Such securities are therefore restricted in accordance with Rule 144 under the Securities Act.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits listed on the accompanying index to exhibits immediately preceding the exhibits are filed as part of, or hereby incorporated by reference into, this Quarterly Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Zomedica Pharmaceuticals Corp.

By: /s/ Gerald Solensky, Jr.

Name: Gerald Solensky, Jr.

Title: *Chief Executive Officer*

By: /s/ Shameze Rampertab

Name: Shameze Rampertab

Title: *Chief Financial Officer*

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amalgamation of Zomedica Pharmaceuticals Corp. (incorporated by reference to Exhibit 3.1 to the Company’s Registration Statement on Form S-1 filed with the Commission on November 20, 2017 (File No. 333-217409)).
3.2	Amended and Restated By-Law No. 1 of Zomedica Pharmaceuticals Corp. (incorporated by reference to Exhibit 3.2 to the Company’s Registration Statement on Form S-1 filed with the Commission on November 20, 2017 (File No. 333-217409)).
3.3	Certificate of Amendment and Registration of Restated Articles of Zomedica Pharmaceuticals Corp. (incorporated by reference to Exhibit 3.3 to the Company’s Registration Statement on Form S-1 filed with the Commission on November 20, 2017 (File No. 333-217409)).
3.4	Certificate of Amalgamation of Zomedica Pharmaceuticals Corp. (incorporated by reference to Exhibit 3.4 to the Company’s Registration Statement on Form S-1 filed with the Commission on November 20, 2017 (File No. 333-217409)).
3.5	Articles of Amendment to the Articles of Incorporation of Zomedica Pharmaceuticals Corp. (incorporated by reference to Exhibit 3.5 to the Company’s Quarterly Report on Form 10-Q filed with the Commission on May 10, 2019 (File No. 001-38298))
10.29	Form of Preferred Share Subscription Agreement for May 2019 Offering (incorporated by reference to Exhibit 10.29 to the Company’s Quarterly Report on Form 10-Q filed with the Commission on May 10, 2019 (File No. 001-38298))
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald Solensky, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Zomedica Pharmaceuticals Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Gerald Solensky, Jr.
Gerald Solensky, Jr.
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shameze Rampertab, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Zomedica Pharmaceuticals Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Shameze Rampertab

Shameze Rampertab

Chief Financial Officer

(Principal Financial and Accounting Officer)

**Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of Zomedica Pharmaceuticals Corp. (the "Company") for the three month period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gerald Solensky, Jr., President and Chief Executive Officer of the Company, and Shameze Rampertab, Chief Financial Officer of the Company, hereby certify, to the knowledge of the undersigned, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2019

By: /s/ Gerald Solensky, Jr.

Gerald Solensky, Jr.
Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2019

By: /s/ Shameze Rampertab

Shameze Rampertab
Chief Financial Officer
(Principal Financial and Accounting Officer)

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

