ZOMEDICA™

Come full circle.

Management Discussion and Analysis

Financial Statements

For the Year Ended December 31, 2016

Management's Discussion and Analysis of Financial Condition and Results of Operations of Zomedica Pharmaceuticals Corp. for the Year Ended December 31, 2016

The following Management Discussion and Analysis ("MD&A") prepared as of February 28, 2017 should be read in conjunction with the December 31, 2016 audited consolidated financial statements and related notes of Zomedica Pharmaceuticals Corp. ("Zomedica" or the "Company"). The audited consolidated financial statements of Zomedica and related notes as at December 31, 2016 were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and are presented in United States dollars unless otherwise noted. Unless stated otherwise, all references to "$" are to United States dollars.

FORWARD-LOOKING STATEMENTS

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

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

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

OVERVIEW

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

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

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

Zomedica's mission is to develop products that provide veterinarians the opportunity to better serve the animals in their care, while lowering costs, increasing productivity, and growing revenue. The clinical experience of the members of the leadership team has defined an unmet need for the practicing veterinarian and a niche in the animal health market. The initial product line of pharmaceuticals is at the core of that mission. However the needs of the veterinarian are not defined by product lines and there are tremendous opportunities for expanding beyond the core novel pharmaceuticals, into medical devices and diagnostics. Zomedica's plan is to become profitable through the contract manufacture and sales of veterinary pharmaceuticals, and in-licensing of devices and therapeutics that fill an unmet need. Zomedica's first product candidate, ZM-012, is a novel tablet formulation of metronidazole, an anti-infective for the treatment of diarrhea in canines (dogs) not yet approved by the U.S. Food and Drug Administration Center for Veterinary Medicine ("FDA-CVM") for veterinary use but commonly prescribed by veterinarians using human-approved products. The second product candidate, ZM-006, is a transdermal gel that delivers its active pharmaceutical ingredient, methimazole, which is commonly used in veterinary medicine to treat hyperthyroidism in felines (cats). Zomedica's third product candidate, ZM-007, is an oral suspension formulation of metronidazole for accurate dosing of small dog breeds and puppies. The fourth product candidate, ZM-011 is a transdermal gel of fluoxetine, Prozac®, commonly prescribed to treat cat behavioral disorders such as inappropriate urination. Zomedica is also testing the feasibility of a liquid biopsy technology to detect circulating tumor cells as a canine cancer diagnostic.

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

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

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

CORPORATE HIGHLIGHTS

- On May 10, 2016, Zomedica announced that it opened its first Investigational New Animal Drug Application ("INAD") with the FDA-CVM for ZM-012, an anti-infective therapeutic for companion animals.
- On May 17, 2016, Zomedica announced the completion of a research collaboration agreement that includes an option for an exclusive worldwide animal health license with CTX Technology, Inc. for their peptide based skin penetration platform technology.
- On July 12, 2016, Zomedica announced the filing of a U.S. provisional application for patent with the U.S. Patent and Trademark Office and opened an INAD with the FDA-CVM for a novel formulation of ZM-006.
- On August 25, 2016, Zomedica announced the closing of the first tranche of its non-brokered private placement offering, issuing 3,342,480 common shares at a price of CD$1.50 per share for aggregate gross proceeds of approximately CDN$5,013,720 or $3,875,500.
- On September 19, 2016, Zomedica announced that it was approved for graduation to Tier 1 issuer status from Tier 2 issuer status by the TSX Venture Exchange.
- On October 4, 2016, Zomedica announced the appointment of two animal health industry veterans, Jane Eagleson and Tom Robitaille, to its Board of Directors.

- On December 19, 2016, Zomedica announced that it opened its third INAD application with the FDA-CVM for ZM-007. Metronidazole was also announced as the API in ZM-012.
- On December 29, 2016, Zomedica announced the closing of the first tranche of a new non-brokered private placement offering, issuing 791,373 common shares at a price of CDN$1.50 for aggregate gross proceeds of approximately CDN$1,187,060 or $880,086.
- On January 5, 2017, Zomedica announced a research collaboration agreement with Celsee Diagnostics, Inc. to test the feasibility of Celsee's liquid biopsy technology for veterinary application as a canine cancer diagnostic.
- On January 17, 2017, Animal Pharm, a leading online business intelligence service for animal health and nutrition, awarded Zomedica its "Best Start-up 2016" award based on its product pipeline, equity funding, TSX-V listing and strategic personnel additions in 2016.
- On January 30, 2017, Zomedica announced that it opened its fourth INAD with the FDA-CVM for ZM-011.
- On January 30, 2017, Zomedica disclosed that ZM-006 is a transdermal gel delivering its active pharmaceutical ingredient, methimazole.
- On January 31, 2017, Zomedica launched its Voice of the Vet™ customer engagement program to leverage insights from the veterinary community to influence development of companion animal health solutions.
- On February 23, 2017, Zomedica announced that Robert W. DiMarzo joined the company as Executive Vice President of Global Strategy. Mr. DiMarzo brings more than 25 years of animal health leadership experience with industry leaders such as Pfizer Animal Health, now Zoetis.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for Zomedica as of and for the year ended December 31, 2016 and the period from May 14, 2015 (inception) to December 31, 2015. These results were prepared in accordance with IFRS. All of the following information is reported in US dollars unless otherwise noted.

Statements of Loss and Comprehensive Loss	**Year ended December 31, 2016**	**Period from May 14, 2015 (inception) to December 31, 2015**
	$	**$**
Loss from operations	5,998,550	1,525,495
Net loss and comprehensive loss	6,012,846	1,520,536
Loss per share - basic and diluted	0.08	0.03

Statement of Financial Position	**As at**	
	December 31, 2016	**December 31, 2015**
	$	**$**
Total Assets	4,875,558	3,860,334
Total Liabilities	741,157	146,289
Total Shareholders' equity	4,134,401	3,714,045

RESULTS OF OPERATIONS

The following are selected financial information for the year ended December 31, 2016 and the period from May 14, 2015 (inception) to December 31, 2015.

	Year ended December 31, 2016	Period from May 14, 2015 (inception) to December 31, 2015	Change	
	$	$	$	%
Expenses				
Research and development	1,518,589	505,369	1,013,220	200%
General and administrative	2,916,604	341,239	2,575,365	755%
Professional fees	1,245,182	672,138	573,044	85%
Listing expenses	272,354	-	272,354	N/A
Amortization	2,690	751	1,939	258%
Depreciation	43,131	5,998	37,133	619%
Loss from operations	5,998,550	1,525,495	4,473,055	293%
Foreign exchange loss (gain)	14,296	(7,849)	22,145	-282%
Loss on sale of equipment	-	2,890	(2,890)	-100%
Loss before income taxes	6,012,846	1,520,536	4,492,310	295%
Income tax expense	-	-	-	N/A
Net loss and comprehensive loss for the period	6,012,846	1,520,536	4,492,310	295%

Research and Development

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

Expenditures for R&D for the year ended December 31, 2016 were higher by $1,013,220 compared to the period from inception through December 31, 2015. The increase was primarily due to the ramping up of R&D activities related to the establishment of labs, the hiring of full-time employees, product candidates development, contracted outsourcing activities, and the impact of a full year of operations compared to seven and one half months in the 2015 period. The increases were primarily due to salaries of $549,556, contracted outsourced activities of $322,165 and consulting costs of $305,582 relating to an increased level of lab activities, including in vitro and in vivo work, to support the further development of its product candidates and preparation of opening its INADs for ZM-012, ZM-006, ZM-007 and ZM-011.

We expect that our R&D expenditures in 2017 will be significantly higher than in 2016, due to the initiation of pilot and pivotal studies to support the opened INADs, as well as work related to additional veterinary pharmaceutical candidates, diagnostic developments and technologies.

General and Administrative

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

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

G&A expenses for the year ended December 31, 2016 were higher by $2,575,365 compared to the period from inception through December 31, 2015. The increase was primarily due to the ramping up of business, as ZoMedica was incorporated on May 14, 2015. The majority of these current period expenses related to the addition of personnel accounting for salaries of $2,298,476, which included share-based compensation expense of $1,467,934 primarily as a result of the granting of options to purchase an aggregate of 7,375,000 shares of common shares in 2016 that all vested immediately upon the date of grant. Other expenses included marketing and investor relations of $194,187, and office costs of $124,693.

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

Professional Fees

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

Professional fees for the year ended December 31, 2016 were higher by $573,044 compared to the period from inception through December 31, 2015. The increase was primarily due expenses in connection with the consummation of the Transaction on April 21, 2016, expenses associated with the listing of our common shares on the TSX-V, and the initiation of cross listing efforts to a U.S. exchange.

Listing Expenses

The acquisition of WOW (effective April 21, 2016) was accounted at the fair value of the equity instruments of WOW issued to the shareholders of ZoMedica. The difference between the net assets acquired and the fair value of the consideration granted was treated as listing expenses. The listing expenses for the year ended December 31, 2016 were $272,354.

Loss

Zomedica recorded a loss for the year ended December 31, 2016 of $6,012,846 or $0.08 per share, compared with a loss of $1,520,536 or $0.03 per share for the period from inception through December 31, 2015.

For the year ended December 31, 2016, the loss was attributed to the G&A expenses of $2,916,604, R&D expenses of $1,518,589, professional fees of $1,245,182 and listing expenses of $272,354, with no revenues as Zomedica does not currently have an approved product. For the period from inception through December 31, 2015, the loss was attributed to professional fees of $672,138, R&D expenses of $505,369 and G&A expenses of $341,239.

SUMMARY OF RESULTS

Period Ended	**Net loss**	**Basic and diluted net loss per common share**
	$	**$**
December 31, 2016	2,974,375	0.04
September 30, 2016	1,042,235	0.01
June 30, 2016	1,064,594	0.01
March 31, 2016	931,642	0.01
December 31, 2015	701,867	0.02
September 30, 2015	715,774	0.02
Inception to June 30, 2015	102,895	-

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

The net loss in the fourth quarter of 2016 of $2,974,375 was attributed to the G&A expenses of $1,790,576, which include the share-based compensation expense of $1,319,544, the R&D expenses of $577,573 and professional fees of $586,038, with no revenues as Zomedica does not currently have an approved product. The net loss in the third quarter of 2016 of $1,042,235 was attributed to the R&D expenses of $411,104, the G&A expenses of $396,644 and professional fees of $212,684. The net loss in the second quarter of 2016 of $1,064,594 was attributed to R&D expenses of $308,200, G&A expenses of $276,863, listing expenses of $272,354 and the professional fees of $201,623.

The net loss in the first quarter of 2016 of $931,642 was attributed to the ongoing R&D expenses of $221,712, G&A expenses of $452,521, and professional fees of $244,837, with no revenues as Zomedica does not currently have an approved product.

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

LIQUIDITY AND CAPITAL RESOURCES

	Year ended December 31, 2016	Period from May 14, 2015 (inception) to December 31, 2015	Change	
	$	$	$	%
Cash flows used in operating activities	(4,562,168)	(901,772)	(3,660,396)	406%
Cash flows provided by financing activities	4,786,353	4,266,699	519,654	12%
Cash flows used in investing activities	(241,215)	(121,217)	(119,998)	99%
Increase (decrease) in cash	(17,030)	3,243,710	(3,260,740)	-101%
Cash and cash equivalents, beginning of period	3,243,710	-	3,243,710	N/A
Cash and cash equivalents, end of period	3,226,680	3,243,710	(17,030)	-1%

Zomedica had cash of $3,226,680 as at December 31, 2016. The small decrease in cash during the year ended December 31, 2016 is mainly a result of the cash flows provided by financing activities, partially offset by cash flows used in operating activities as discussed below.

Cash flows used in operating activities for the year ended December 31, 2016 amounted to $4,562,168 compared to the period from inception through December 31, 2015 of $901,772. The largest use of cash within the operating activities in the current year was an increase in prepaid expenses relating primarily to a deposit of $801,973 related to the full payment of a 62 month lease of additional office space in Ann Arbor, offset in part by approximately $272,354 in non-cash listing expenses relating to the Transaction. Other major expenses include employees' wages and benefits, and various consultants related to the Transaction.

The prior period cash flows used in operating activities resulted primarily from our net loss of $1,520,536 offset in part by the issuance of common shares in lieu of cash for services in the amount of $952,705. There were no employees prior to October 1, 2015. Zomedica did not have an approved product and therefore did not have revenues.

Cash flows from financing activities for the year ended December 31, 2016 were $4,786,353, compared to the period from inception through December 31, 2015 of $4,266,699. The current year cash flows relate to the cash acquired from the $3,875,500 private placement that closed in August 2016, the $880,086 private placement that closed in December 2016 and the Transaction, partially offset by the cash paid for the stock issuance. The prior period cash flows relate to proceeds received of $190,000 in ZoMedica's July 31, 2015 private placement and $4,071,986 in ZoMedica's December 2015 private placement.

Cash flows used in investing activities for the year ended December 31, 2016 amounted to $241,215, compared to the period from inception through December 31, 2015 of $121,217. The current year and prior period cash flows related mainly to the investment in research equipment in support of the expanding R&D activities.

Working capital (defined as current assets minus current liabilities) was $2,837,055 as at December 31, 2016. This was primarily due to cash of $3,226,680 partially offset by accounts payables and accrued liabilities of $734,431.

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

Zomedica will need additional capital to fund additional R&D activities and to fund any significant expansion of operations. Potential sources of capital could include equity and/or debt financings, development agreements or marketing license agreements, the collection of revenues resulting from future commercialization activities and/or new strategic partnership agreements to fund some or all costs of development, although there can be no assurance that Zomedica will be able to obtain any such capital on terms or in amounts sufficient to meet needs or at all. The availability of equity or debt financing will be affected by, among other things, the results of R&D, the ability to obtain regulatory approvals, the market acceptance of Zomedica's product(s), the state of the capital markets generally, strategic alliance agreements and other relevant commercial considerations. In addition, if Zomedica raises additional funds by issuing equity securities, the existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require Zomedica to agree to operating and financial covenants that would restrict operations. In the event that Zomedica does not obtain additional capital, there may be substantial doubt about its ability to continue as a going concern and realize assets and pay liabilities as they become due. Any failure on Zomedica's part to raise additional funds on terms favorable to Zomedica or at all, may require Zomedica to significantly change or curtail current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in not taking advantage of business opportunities, in the termination or delay of safety and efficacy studies for product, in curtailment of product development programs designed to identify new products, in the sale or assignment of rights to technologies, product, and/or inability to file regulatory approval applications at all or in time to competitively market product.

OUTSTANDING SHARE INFORMATION

The number of common shares outstanding as of December 31, 2016 was 83,964,569, an increase of 6,593,853 from December 31, 2015 (1,900,000 due to the reverse takeover, 4,133,853 due to the private placements, 80,000 due to shares issued for services, and 480,000 issued due to stock options exercised). The number of stock options outstanding as of December 31, 2016 was 7,975,000, an increase of 6,975,000 from December 31, 2015 due to options that were granted in March 2016 (by ZoMedica, which were subsequently exchanged for Company stock options upon completion of the Transaction effective April 21, 2016) and December 2016 to employees, directors, officers and consultants. As at February 28, 2017, Zomedica had 84,374,569 common shares issued and outstanding, an increase of 410,000 from December 31, 2016 due to stock options exercised in February 2017. As at February 28, 2017, Zomedica had 8,100,000 stock options outstanding, an increase of 125,000 from December 31, 2016 due to the aforementioned option exercises, together with the grant in February 2017 of an aggregate of 535,000 options to an officer and to an employee.

OFF BALANCE SHEET ARRANGEMENTS

Zomedica has no off-balance sheet arrangements.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments (IFRS 9)

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

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

IFRS 16, Leases (IFRS 16)
IFRS 16 was issued by the IASB in January 2016. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on Zomedica's financial statements.

RELATED PARTY TRANSACTIONS

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

- During the year ended December 31, 2016, Zomedica received $6,726 from a director and executive officer, which was recorded as shareholder loans payable as at December 31, 2016, compared to the period from inception through December 31, 2015 of $4,713. The loan is unsecured and has no specific repayment terms.
- During the period from May 14, 2015 to December 31, 2015, the Company issued 37,343,100 common shares to a director and officer in exchange for contribution of intellectual property and the business concept for gross proceeds of $300,000. The Company measured the transaction based on the fair value of the intellectual property and has expensed these costs in accordance with ASC topic 730.
- During the period from May 14, 2015 to December 31, 2015, the Company paid $83,676 in consulting services and issued 2,150,320 common shares for gross proceeds of $240,000 to executive officers for consulting services and salaries. The costs have been recorded under research and development expenses on the statement of operations and comprehensive loss.
- During the period from May 14, 2015 to December 31, 2015, the Company paid $43,248 in consulting services and issued 10,105,030 common shares for gross proceeds of $405,000 in shares to consultants who subsequently became employees or shareholders of the Company. The costs have been recorded under professional fees on the statement of operations and comprehensive loss.
- During the period from May 14, 2015 to December 31, 2015, the Company issued $7,705 in shares to a director for director fees.

Key management includes Zomedica's directors and executive officers. The remuneration of the key management team for the year ended December 31, 2016 was as follows:

	Year ended December 31, 2016	**Period from May 14, 2015 (inception) to December 31, 2015**
	$	**$**
Salaries and benefits, including bonuses	912,640	104,238
Share-based compensation	964,506	471,705
	1,877,146	575,943

CONTRACTUAL OBLIGATIONS

The Company has a commitment under an operating lease for the rental of office space. The future annual lease payments for the premises are as follows:

2017	$	51,414
2018		34,784
2019 and thereafter		-
Total	$	86,198

FINANCIAL INSTRUMENTS

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

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

Liquidity risk
Liquidity risk is the risk that Zomedica may not be able to generate sufficient cash resources to settle its obligations as they fall due. Zomedica's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, and cash flow provided by financing activities. As at December 31, 2016, Zomedica had working capital of $2,837,055.

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

SUBSEQUENT EVENTS

Subsequent to December 31, 2016, 410,000 stock options were exercised after which the Company issued 535,000 stock options to acquire common shares of the Company. Each option is exercisable at a price of CDN$1.50 per common share for a two-year term expiring on February 24, 2019.

Zomedica Pharmaceuticals Corp.

Consolidated Financial Statements

For the year ended December 31, 2016 and the period from May 14, 2015 (Date of Incorporation) to December 31, 2015

(Expressed in United States Dollars, unless otherwise noted)

Independent Auditors' Report

To the Shareholders of Zomedica Pharmaceuticals Corp.:

We have audited the accompanying consolidated financial statements of Zomedica Pharmaceuticals Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2016 and the period from May 14, 2015 (date of incorporation) to December 31, 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Zomedica Pharmaceuticals Corp. as at December 31, 2016 and 2015 and the results of its operations and its cash flows for the year ended December 31, 2016 and the period from May 14, 2015 (date of incorporation) to December 31, 2015, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes the material uncertainties that may cast significant doubt about Zomedica Pharmaceuticals Corp.'s ability to continue as a going concern.

MNP LLP

February 28, 2017
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

Zomedica Pharmaceuticals Corp.

Consolidated Statements of Financial Position
As at December 31, 2016 and 2015
(in United States dollars)

	Note		December 31, 2016		December 31, 2015
Assets					
Current assets:					
Cash and cash equivalents		**$**	**3,226,680**	$	3,243,710
Prepaid expenses and deposits	5		**332,611**		189,070
Trade and other receivable			**18,921**		-
			3,578,212		3,432,780
Prepaid expenses and deposits	5		**690,374**		15,976
Property and equipment	6		**289,034**		100,561
Intangibles	7		**317,938**		311,017
		$	**4,875,558**	$	3,860,334
Liabilities and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**734,431**	$	141,576
Shareholder loans payable	17		**6,726**		4,713
			741,157		146,289
Shareholders' equity:					
Share capital					
Authorized					
Unlimited common shares without par value					
Issued and outstanding					
83,964,569 common shares (2015 - 77,370,716)	8		**10,189,973**		5,214,691
Share-based payment reserve	9		**1,477,810**		19,890
Accumulated deficit			**(7,533,382)**		(1,520,536)
			4,134,401		3,714,045
		$	**4,875,558**	$	3,860,334

Signed on behalf of the Board

"Gerald Solensky" — Chairman of the Board

"Jeff Rowe" — Director

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

Zomedica Pharmaceuticals Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the year ended December 31, 2016 and the period from May 14, 2015 (Date of Incorporation) to December 31, 2015
(in United States dollars)

	Note	2016	May 14, 2015 - December 31, 2015
Expenses:			
Research and development	13	$ 1,518,589	$ 505,369
General and administrative	13	2,916,604	341,239
Professional fees	13	1,245,182	672,138
Listing expenses	18	272,354	-
Amortization	7	2,690	751
Depreciation	6	43,131	5,998
Loss from operations		5,998,550	1,525,495
Foreign exchange loss (gain)		14,296	(7,849)
Loss on sale of equipment		-	2,890
Loss before income taxes		6,012,846	1,520,536
Income tax expense	10	-	-
Net loss and comprehensive loss		$ 6,012,846	$ 1,520,536
Weighted average number of common shares - basic and diluted		80,158,312	46,230,790
Loss per share - basic and diluted		$ (0.08)	$ (0.03)

Nature of operations (Note 1)
Commitments and contingencies (Note 11)

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

Zomedica Pharmaceuticals Corp.

Consolidated Statements of Changes in Equity
For the year ended December 31, 2016 and the period from May 14, 2015 (Date of Incorporation) to December 31, 2015
(in United States dollars)

	Note	Number of common shares	Share capital	Share-based payment reserve	Accumulated deficit	Total
Balance at May 14, 2015		-	-	-	-	-
Issuance of shares	8	64,915,366	$ 4,561,986	-	-	$ 4,561,986
Shares issued for services	8	12,455,350	652,705	-	-	652,705
Options issued for services		-	-	19,890	-	19,890
Net loss for the period		-	-	-	(1,520,536)	(1,520,536)
Balance at December 31, 2015		**77,370,716**	**$ 5,214,691**	**$ 19,890**	**$ (1,520,536)**	**$ 3,714,045**
Balance at December 31, 2015		77,370,716	$ 5,214,691	$ 19,890	$ (1,520,536)	$ 3,714,045
Share issuance due to amalgamation, net of cost	8	1,900,000	196,534	-	-	196,534
Share issuance for financing, net of cost	8	4,133,853	4,717,570	-	-	4,717,570
Share issuance for services	8	80,000	15,741	-	-	15,741
Stock-based compensation	9	-	-	1,467,934	-	1,467,934
Shares issued due to exercise of options	8	480,000	45,437	(10,014)	-	35,423
Net loss		-	-	-	(6,012,846)	(6,012,846)
Balance at December 31, 2016		**83,964,569**	**$ 10,189,973**	**$ 1,477,810**	**$ (7,533,382)**	**$ 4,134,401**

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

Zomedica Pharmaceuticals Corp.

Consolidated Statements of Cash Flows
For the year ended December 31, 2016 and the period from May 14, 2015 (Date of Incorporation) to December 31, 2015
(in United States dollars)

	Note	2016	May 14, 2015 - December 31, 2015
Cash flows used in operating activities:			
Net loss		$ (6,012,846)	$ (1,520,536)
Adjustments for			
Depreciation	6	43,131	5,998
Amortization	7	2,690	751
Loss on sale of equipment		-	2,890
Shares issued for services	8	15,741	652,705
Share-based compensation	9	1,467,934	19,890
Listing expenses	18	272,354	-
Change in non-cash operating working capital			
Trade and other receivable		(21,031)	-
Prepaid expenses		7,393	(151,492)
Deposits		(890,142)	(53,554)
Accounts payable and accrued liabilities		552,608	141,576
		(4,562,168)	(901,772)
Cash flows from financing activities:			
Capital stock issued	8	4,755,586	4,261,986
Cash paid on share issuance costs		(115,635)	-
Cash received on the exercise of options		35,423	-
Cash received on amalgamation	18	108,966	-
Increase in shareholder loan payable		2,013	4,713
		4,786,353	4,266,699
Cash flows used in investing activities:			
Investment in intangibles	7	(9,611)	(11,768)
Investment in property and equipment	6	(231,604)	(109,449)
		(241,215)	(121,217)
Increase in cash and cash equivalents during the period		(17,030)	3,243,710
Cash and cash equivalents, beginning of period		3,243,710	-
Cash and cash equivalents, end of period		$ 3,226,680	$ 3,243,710

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

1. Nature of operations

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 ZoMedcia 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 3928 Varsity Drive, Ann Arbor, MI 48108 and its registered office is located at Suite 1250, 639 – 5th Avenue S.W., Calgary, Alberta T2P 0M9.

2. Statement of Compliance and Going concern

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

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

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $7,533,382 as at December 31, 2016. The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at December 31,

2. Statement of Compliance and Going concern (continued)

2016, the Company had current assets of $3,578,212 (December 31, 2015- $3,432,780) to cover current liabilities of $741,157 (December 31, 2015 - $146,289).

These consolidated financial statements were approved by the Company's board of directors on February 28, 2017.

3. Significant accounting policies

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

Basis of measurement

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

Functional and presentations currencies

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

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

Cash and cash equivalents

The Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents comprises cash on hand and cash held in trust related to share issuances. The cash held in trust is readily available to the Company and is classified as current.

The financial risks associated with these instruments are minimal and the Company has not experienced any losses from investments in these securities. The carrying amount of cash and cash equivalents approximates its fair value due to its short-term nature.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Maintenance and repair expenditures that do not improve or extend the life are expensed in the period incurred.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. Significant accounting policies (continued)

Property and equipment (continued)

Estimated useful lives for the principal asset categories are as follows:

Computer equipment	3 years
Furniture and equipment	5-7 years
Laboratory equipment	5-7 years
Leasehold improvements	Over shorter of estimated useful life and lease term

Research and development

Research costs are charged to profit or loss in the period in which they are incurred, net of related tax credits. Development costs are charged to profit or loss in the year they are incurred, net of related tax credits, unless they meet the capitalization criteria listed below:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- the Company's intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software	3 years
Trademarks	15 years
Intellectual property	Indefinite

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss, comprehensive income or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. Significant accounting policies (continued)

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive loss, net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Shareholder loans payable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include the following:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale ("AFS") equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized

Foreign currency translation

Transactions in foreign currencies are initially translated into the functional currency using rates prevailing at the date of the transaction. Monetary assets and liabilities are translated using the exchange rates in effect at the end of the reporting period and non-monetary assets and liabilities at historical exchange rates. Revenue and expense items are translated using average exchange rates prevailing during the period. Foreign exchange gains and losses are included in profit or loss.

Share-based compensation

The fair value of options awarded to employees, directors, and lenders is measured using the Black-Scholes option pricing model and is recognized over the vesting periods in profit or loss and share based payment reserve. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is reclassified as an increase to share capital.

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. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based compensation are disclosed in the notes to the financial statements.

3. Significant accounting policies (continued)

Segmented reporting

The Company currently operates as a single segment. Its principal business relates to the discovery, development and commercialization of innovative pharmaceuticals for the companion pet.

Future accounting pronouncements

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). The Company will be required to adopt amendments to IFRS 7, requiring increased disclosure regarding derecognition of financial assets and the continuing involvement accounting for annual periods beginning on or after December 1, 2016. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 7 will have on the Company's financial statements.

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

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

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.

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.

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

Going concern

These financial statements have been prepared in accordance with IFRS 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.

Useful lives of property and equipment

As described in Note 3, 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 year ended December 31, 2016 and the period ended December 31, 2015, the Company was not required to adjust the useful lives of any assets based on the factors described above.

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 statement of financial position date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Share-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.

(in United States dollars)

5. Prepaid rent

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

6. Property and equipment

	Computer equipment	Furniture and equipment	Laboratory equipment	Leasehold improvements	Total
Cost					
Balance at May 14, 2015	$ -	$ -	$ -	$ -	$ -
Additions	54,685	7,364	32,665	14,735	109,449
Dispositions	(2,890)	-	-	-	(2,890)
Balance at December 31, 2015	51,795	7,364	32,665	14,735	106,559
Additions	9,803	-	210,864	10,937	231,604
Balance at December 31, 2016	61,598	7,364	243,529	25,672	338,163
Accumulated depreciation					
Balance at May 14, 2015	-	-	-	-	-
Depreciation	3,163	438	1,578	819	5,998
Balance at December 31, 2015	3,163	438	1,578	819	5,998
Depreciation	10,695	1,052	28,205	3,179	43,131
Balance at December 31, 2016	13,858	1,490	29,783	3,998	49,129
Net book value as at:					
December 31, 2015	$ 48,632	$ 6,926	$ 31,087	$ 13,916	$ 100,561
December 31, 2016	$ 47,740	$ 5,874	$ 213,746	$ 21,674	$ 289,034

7. Intangible assets

	Computer software	Trademarks	Intellectual property	Total
Cost				
Balance at May 14, 2015	$ -	$ -	$ -	$ -
Additions	5,143	6,625	300,000	311,768
Balance at December 31, 2015	5,143	6,625	300,000	311,768
Additions	-	9,611	-	9,611
Balance at December 31, 2016	5,143	16,236	300,000	321,379
Accumulated amortization				
Balance at May 14, 2015	-	-	-	-
Amortization	714	37	-	751
Balance at December 31, 2015	714	37	-	751
Amortization	1,715	976	-	2,690
Balance at December 31, 2016	2,429	1,013	-	3,441
Net book value as at:				
December 31, 2015	$ 4,429	$ 6,588	$ 300,000	$ 311,017
December 31, 2016	$ 2,714	$ 15,223	$ 300,000	$ 317,938

(in United States dollars)

7. Intangible assets (continued)

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

8. Share capital

Authorized - Unlimited number of common shares without par value.

Issued and outstanding common shares:

	Number of common shares	Capital stock
Balance at inception	-	$ -
Shares issued for intellectual property (i)	37,343,100	300,000
Shares issued for services (ii)	11,232,150	432,705
Shares issued for cash (ii)	4,932,020	190,000
Shares issued for services (iii)	1,223,200	220,000
Shares issued for cash (iii)	22,640,246	4,071,986
Balance at December 31, 2015	77,370,716	5,214,691
Shares issued to effect the amalgamation (Note 18)	1,900,000	196,534
Shares issued due to option exercises related to amalgamation (Note 9)	80,000	22,058
Shares issued to Everfront Capital Corp	80,000	15,741
Shares issued for financing (iv and v)	4,133,853	4,717,570
Shares issued due to exercise of options (Note 9)	400,000	23,379
Balance at December 31 , 2016	83,964,569	$ 10,189,973

i) On May 31, 2015, the Company issued 37,343,100 common shares in exchange for contribution of intellectual property and the business concept at a price of CDN$0.01 per share for gross proceeds of CDN$373,431 or $300,000. The Company measured the transaction based on the fair value of the intellectual property.

ii) On July 31, 2015, the Company completed a private placement of 16,164,170 common shares at a price of CDN$0.05 per share for gross proceeds of CDN$808,209 or $622,705. The proceeds were comprised of consulting services in exchange for equity of $432,705 and cash proceeds of $190,000. The consulting services were recorded as professional fees expenses. Shares issued for consulting services were recorded based on the value of the services received.

iii) On December 22, 2015, the Company completed a private placement of 23,863,446 common shares at a price of CDN$0.25 per share for gross proceeds of CDN$5,965,862 or $4,291,986. The proceeds were comprised of consulting services in exchange for equity of $220,000 and cash proceeds of $4,071,986. The consulting services were recorded as professional fees expenses. Shares issued for consulting services were recorded based on the value of the services received.

iv) On August 25, 2016, the Company issued 3,342,480 common shares for gross proceeds of $3,875,500. The Company recorded $29,310 of share issuance costs as an offset to share capital.

v) On December 29, 2016, the Company issued 791,373 common shares for gross proceeds of $880,086. The Company recorded $8,706 of share issuance costs as an offset to share capital.

Shares issued for services were recorded based on the value of the shares based on the Company's most recent financing completed.

(in United States dollars)

9. Share-based payments

During the year ended December 31, 2016, the Company issued 7,375,000 stock options, each option entitling the holder to purchase one common share of the Company. The Company also had 80,000 options issued as part of the qualifying transaction disclosed in Note 18. These options were exercised immediately after the close of the qualifying transaction on April 21, 2016. During the year ended December 31, 2016, 400,000 of options were exercised on July 15, 2016 (2015 - nil).

The continuity of the issuance of stock options are as follows:

	Number of Options	Weighted Avg Exercise Price (CDN$)
Balance at May 14, 2015	-	-
Options issued	1,000,000	$ 0.05
Balance at December 31, 2015	1,000,000	0.05
Options issued	3,500,000	0.25
Options issued through amalgamation	80,000	0.25
Options exercised on April 21, 2016	(80,000)	0.25
Options exercised on July 15, 2016	(400,000)	0.05
Options issued on December 21, 2016	3,875,000	1.50
Balance at December 31, 2016	7,975,000	$ 0.84

As at December 31, 2016, details of the issued and outstanding stock options are as follows:

Grant date	Exercise price (CDN$)	Number of options	Number of vested options	Weighted Avg Remaining Life (years)
July 31, 2015	$ 0.05	600,000	600,000	3.58
March 28, 2016	$ 0.25	3,500,000	3,500,000	1.30
December 21, 2016	$ 1.50	3,875,000	3,875,000	1.97

The fair value of options granted as well as the deemed issuance of options during the year ended December 31, 2016 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	March 28, 2016	April 21, 2016	December 21, 2016
Volatility	63%	63%	58%
Risk-free interest rate	0.56%	1.12%	0.81%
Expected life	2.06 years	1 year	2.0 years
Dividend yield	0%	0%	0%
Common share price	CDN $0.20	CDN $0.20	CDN $1.45
Strike price	CDN $0.25	CDN $0.25	CDN $1.50
Forfeiture rate	nil	nil	nil

The Company recorded $1,467,934 of stock-based compensation for the year ended December 31, 2016 and $19,890 for the period from May 14, 2015 to December 31, 2015. The Company recorded the cash receipt of $15,423 as share capital and reclassified $7,956 of share-based compensation to share capital due to the exercise of options.

(in United States dollars)

9. Share-based payments (continued)

Volatility is determined based on volatilities of comparable companies as the Company does not have sufficient 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 the Company is not expected to pay dividends in the foreseeable future. The Company has estimated its stock option forfeitures to be Nil for the year ended December 31, 2016 and the period from May 14, 2015 to December 31, 2015.

10. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2015- 26.5%) to the effective tax rate is as follows:

	For the year ended December 31, 2016	For the period ended December 31, 2015
Loss before income taxes	$ (6,012,846)	$ (1,520,536)
Expected income tax expense (recovery)	(1,623,470)	(402,940)
Difference in foreign tax rates	(162,200)	(156,470)
Tax rate changes and other adjustments	(42,460)	-
Share based compensation and non-deductible expenses	472,460	1,770
Change in tax benefits not recognized	1,355,670	557,640
Total income tax expense	$ -	$ -

The following table summarizes the components of deferred tax:

Deferred Tax Assets	**2016**	**2015**
Net operating losses carried forward - US	60,190	-
Deferred Tax Liabilities		
Property and equipment	(59,680)	-
Intangible assets	(510)	-
Net deferred tax asset	$ -	$ -

(in United States dollars)

10. Income taxes (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2016		2015
Property and equipment - US	$	-	$	6,000
Intangible assets		86,450		750
Intangible assets transferred on amalgamation		55,480		-
Share issuance costs		85,620		-
Schedule 13 reserves		20,430		-
Net operating losses carried forward - US		2,180,450		1,353,850
Non-capital losses carried forward - Canada		3,606,200		153,260
Investment Tax Credits		111,170		-
	$	6,145,800	$	1,513,860

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2020. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probably that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2031	$	1,090
2032		62,770
2033		643,930
2034		66,370
2035		16,260
2036		2,815,780
	$	3,606,200

The Company's US non-operating income tax losses expire as follows:

2035		848,060
2036		1,490,954
	$	2,339,014

11. Commitments and Contingencies

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

2017		51,414
2018		34,784
2019 and thereafter		-
Total	$	86,198

12. Financial instruments and risk management

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

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

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due (see note 2). The Company's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, and cash flow provided by financing activities. As at December 31, 2016, the Company had a working capital of $2,837,055 (December 31, 2015 - $3,286,491).

Fair value

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

(in United States dollars)

13. Schedule of expenses

	For the year ended December 31, 2016		
	Research and Development	Professional Fees	General and Administrative
Salaries, bonus and benefits	$ 549,556	$ -	$ 2,298,476
Contracted expenditures	322,165	-	-
Marketing and investor relations	-	-	194,187
Travel and accomodation	-	-	87,265
Insurance	47,207	-	133,827
Office	12,455	-	124,693
Consultant	308,582	1,245,182	23,904
Regulatory	101,100	-	-
Transfer agent and filing fees	-	-	25,357
Rent	19,264	-	28,895
Supplies	158,261	-	-
Total	$ 1,518,589	$ 1,245,182	$ 2,916,604

	For the period from May 14, 2015 to December 31, 2015		
	Research and Development	Professional Fees	General and Administrative
Salaries, bonus and benefits	$ 127,346	$ -	$ 83,193
Marketing and investor relations	-	-	50,567
Travel and accomodation	10,573	-	18,003
Insurance	-	-	71,872
Office	324,341	672,138	-
Consultant	9,632	-	14,599
Rent	33,477	-	62,172
Supplies	-	-	729
Other	-	-	40,104
Total	$ 505,369	$ 672,138	$ 341,239

14. Capital risk management

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

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 pet. 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”).

	December 31, 2016	December 31, 2015
	$	$
Total assets		
Canada	114,912	1,486,895
US	4,460,646	2,073,439
Total property and equipment		
US	289,034	100,561

(in United States dollars)

16. Loss per share

		For the year ended December 31, 2016		For the period ended December 31, 2015
Numerator				
Net loss for the period	$	6,012,846	$	1,520,536
Denominator				
Weighted average shares - basic		80,158,312		46,230,790
Stock options		-		-
Denominator for diluted loss per share		80,158,312		46,230,790
Loss per share - basic and diluted	$	0.08	$	0.03

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.

17. Related party transactions and key management compensation

During the year ended December 31, 2016 and the period from May 14, 2015 to December 31, 2015, the Company incurred the following related party transactions:

- As at December 31, 2016, the Company owes $6,726 (December 31, 2015 - $4,713) to a director and executive officer, which is recorded as shareholder loans payable. The loan has no specific repayment terms.
- As described in Note 8, the Company issued 37,343,100 common shares to a director and officer in exchange for contribution of intellectual property and the business concept for gross proceeds of $300,000.
- During the period ended December 31, 2015, the Company paid $83,676 in consulting services and issued 2,150,320 common shares for gross proceeds of $240,000 to executive officers for consulting services and salaries. The costs have been recorded under research and development expenses on the statement of loss and comprehensive loss.
- During the period ended December 31, 2015, the Company paid $43,248 in consulting services and issued 10,105,030 common shares for gross proceeds of $405,000 in shares to consultants who subsequently became employees or shareholders of the Company. The costs have been recorded under professional fees on the statement of loss and comprehensive loss.
- During the period ended December 31, 2015, the Company issued $7,705 in shares to a director for director fees.

(in United States dollars)

17. Related party transactions and key management compensation (continued)

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 year ended December 31, 2016	For the period ended December 31, 2015
Salaries and benefits, including bonuses	$ 912,640	$ 104,238
Share-based compensation	964,506	471,705
Total	$ 1,877,146	$ 575,943

18. Reverse takeover

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

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

WOW's share capital of CDN $309,589, contributed surplus of CDN $32,467 and deficit of CDN $232,984 were all eliminated and the transaction was accounted for as a reverse takeover. The transaction is the equivalent of the issuance of shares by the resulting company for the net assets and listing status of the non-operating public company. As part of the transaction, WOW's previously issued 200,000 stock options were converted to 80,000 post consolidation options. These options were exercised immediately after the close of the qualifying transaction as disclosed in Note 9.

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

19. Subsequent events

Subsequent to December 31, 2016, 410,000 stock options were exercised after which the Company issued 535,000 stock options to acquire common shares of the Company. Each option is exercisable at a price of C$1.50 per common share for a two-year term expiring on February 24, 2019.