UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2020.

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)**	**N/A** **(I.R.S. Employer Identification Number)**
100 Phoenix Drive, Suite 180 **Ann Arbor, Michigan** **(Address of principal executive offices)**	**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 [X] 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 [X] 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	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]
		Emerging growth company	[X]

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. [X]

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

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 May 11, 2020, 166,538,233 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
MARCH 31, 2020

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Zomedica Pharmaceuticals Corp.

Condensed unaudited interim consolidated financial statements

For the three months ended March 31, 2020 and 2019

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

Zomedica Pharmaceuticals Corp.
Condensed unaudited interim consolidated balance sheets
As at March 31, 2020 and December 31, 2019
(Stated in United States dollars)

	Note	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 1,496,752**	$ 510,586
Prepaid expenses and deposits	5	**520,290**	1,228,585
Tax credits and other receivable		**142,463**	67,618
		2,159,505	1,806,789
Property and equipment	6	**876,760**	729,142
Right-of-use asset	8	**1,499,906**	1,103,658
Intangible assets	7	**498,359**	543,395
		$ 5,034,530	$ 4,182,984
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 1,578,968**	$ 2,087,525
Current portion of lease obligations	8	**222,795**	-
		1,801,763	2,087,525
Lease obligations	8	**1,281,124**	-
		3,082,887	2,087,525
Shareholders' equity			
Capital stock			
Series 1 preferred shares, without par value; 20 shares authorized (2019 - 20) Issued and outstanding 12 series 1 preferred shares (2019 - 12)	10	**11,961,397**	11,961,397
Unlimited common shares without par value; Issued and outstanding 128,871,732 common shares (2019 - 108,038,398)	11	**39,998,442**	38,566,820
Additional paid-in capital	12,13	**4,500,263**	3,625,083
Accumulated deficit		**(54,508,459)**	(52,057,841)
		1,951,643	2,095,459
		$ 5,034,530	$ 4,182,984

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 14)

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 months ended March 31, 2020 and 2019
(Stated in United States dollars)

	Note		March 31, 2020		March 31, 2019
Expenses:					
Research and development	17	**$**	**630,066**	$	7,531,375
General and administrative	17		**1,248,861**		3,212,357
Professional fees	17		**290,682**		758,298
Amortization - right-of-use asset	8		**42,448**		127,345
Amortization - intangible asset	7		**45,036**		267
Depreciation	6		**76,416**		62,054
Loss from operations			**2,333,509**		11,691,696
Interest expense			**651**		6,174
Loss on disposal of property and equipment	6		**69,834**		-
Loss on right-of-use asset	8		**59,097**		-
Gain on settlement of liabilities			-		(19,737)
Other income			**(5,500)**		-
Foreign exchange gain			**(6,973)**		(1,225)
Loss before income taxes			**2,450,618**		11,676,908
Income tax expense			-		-
Net loss and comprehensive loss		**$**	**2,450,618**	$	11,676,908
Weighted average number of common shares			**118,340,596**		100,864,022
Loss per share - basic and diluted		**$**	**(0.02)**	$	(0.12)

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' (deficiency) equity
For the three months ended March 31, 2020 and 2019
(Stated in United States dollars)

		Series 1 preferred stock		Common stock					
	Note	Shares	Amount	Shares	Amount	Common stock subscribed	Additional paid-in capital	Accumulated deficit	Total
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 issuance for financing, net of cost	10,11	-	-	9,337,529	6,686,828	(4,280,000)	-	-	2,406,828
Stock-based compensation	13	-	-	-	-	-	2,341,104	-	2,341,104
Stock issuance due to exercise of options	11,13	-	-	394,735	754,148	-	(154,148)	-	600,000
Net loss		-	-	-	-	-	-	(11,676,908)	(11,676,908)
Balance at March 31, 2019		**-**	**$ -**	**108,038,398**	**$ 38,643,728**	**$ -**	**$ 3,427,095**	**$ (43,950,695)**	**$ (1,879,872)**
Balance at December 31, 2019		12	11,961,397	108,038,398	38,566,820	-	3,625,083	(52,057,841)	2,095,459
Stock and warrant issuance for financing	11	-	-	20,833,334	1,705,655	-	794,345	-	2,500,000
Stock issuance costs	11	-	-	-	(238,217)	-	(110,003)	-	(348,220)
Placement agent warrants	11	-	-	-	(35,816)	-	35,816	-	-
Stock-based compensation	12	-	-	-	-	-	155,022	-	155,022
Net loss		-	-	-	-	-	-	(2,450,618)	(2,450,618)
Balance at March 31, 2020		**12**	**$ 11,961,397**	**128,871,732**	**$ 39,998,442**	**$ -**	**$ 4,500,263**	**$ (54,508,459)**	**$ 1,951,643**

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

Zomedica Pharmaceuticals Corp.
Condensed unaudited interim consolidated statements of cash flows
For the three months ended March 31, 2020 and 2019
(Stated in United States dollars)

	Note	March 31, 2020	March 31, 2019
Cash flows used in operating activities:			
Net loss		$ (2,450,618)	$ (11,676,908)
Adjustments for			
Depreciation	6	76,416	62,054
Amortization - intangible assets	7	45,036	267
Amortization - right-of-use asset	8	42,448	127,345
Loss on disposal of property and equipment	6	69,834	-
Loss on right-of-use asset	8	59,097	-
Non-cash portion of rent expense	8	4,012	-
Stock issued for services	11	-	792,104
Stock-based compensation	12	155,022	2,341,104
Change in non-cash operating working capital			
Tax and other receivable		(74,845)	(24,313)
Prepaid expenses		11,625	35,591
Deposits		397,403	364,063
Accounts payable and accrued liabilities		(508,557)	5,397,418
		(2,173,127)	(2,581,275)
Cash flows from financing activities:			
Proceeds from issuance of shares and warrants	11,13	2,500,000	3,000,000
Proceeds from stock option exercises	12	-	600,000
Stock issuance costs	11,13	(348,220)	(593,172)
		2,151,780	3,006,828
Cash flows from (used) in investing activities:			
Cash from sale of property and equipment	6	5,400	-
Investment in property and equipment	6	-	(69,087)
Cash from lease repurchase	8	1,002,113	-
		1,007,513	(69,087)
Increase in cash and cash equivalents		986,166	356,466
Cash and cash equivalents, beginning of period		510,586	1,940,265
Cash and cash equivalents, end of period		$ 1,496,752	$ 2,296,731
Supplemental cash flows information:			
Interest paid		$ 651	$ 6,174

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

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 180, Ann Arbor, MI 48108 and its registered office is located at 3400, 350-7th Ave SW, Calgary, AB, T2P 3N9.

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 $54,508,459 as at March 31, 2020 (December 31, 2019 - $52,057,841). The Company has funded its research and development ("R&D") activities principally through the issuance of securities. 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, if required, for any of its future product candidates, if required, or that it will reach the level of sales and revenues necessary to achieve and sustain profitability.

1. Nature of operations and going concern (continued)

Going concern (continued)

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, and due to the emergence of the COVID-19 pandemic, strategic alliance agreements, and other relevant commercial considerations. In addition, if the Company raises additional funds by issuing equity securities, 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. There is no certainty the Company will be able to raise the necessary funds to continue operations as a going concern. These financial statements do not reflect adjustments, if any, which would be required to the carrying amounts or classification of assets and liabilities, or the amounts of reported expenses, should the use of the going concern assumption be determined not to be appropriate. Such adjustments, if any, could be material.

2. Basis of preparation

The accounting policies set out below have been applied consistently in the condensed unaudited interim consolidated financial statements. The condensed unaudited interim consolidated financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

These condensed unaudited interim consolidated financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended December 31, 2019.

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 determination of fair value of stock-based compensation; the useful lives of property and equipment; 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.

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 remeasured at the period end rates. Revenue and expenses are remeasured 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 using the graded vesting method. 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 is 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 months ended March 31, 2020 as the effect would be anti-dilutive.

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.

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 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 months ended March 31, 2020 and 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.

The impact of the novel strain of coronavirus (“COVID-19”)

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in the World Health Organization declaring this virus a global pandemic in March 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize the financial markets. A critical estimate for the Company is to assess the impact of the pandemic on the recoverability of long-lived assets as well as the availability of future financing in assessing the going concern assumption.

(Stated in United States dollars)

5. Prepaid expenses, deposits and deferred financing costs

		March 31, 2020		December 31, 2019
Deposits (i)	$	336,560	$	1,033,231
Prepaid marketing (ii)		15,459		19,829
Prepaid insurance (ii)		65,249		110,636
Other (iii)		103,022		64,889
Total	$	520,290	$	1,228,585

(i) Deposits include payments made to vendors in advance and are primarily associated with research activity, leasing deposits and costs for additional office space. As of March 31, 2020, and December 31, 2019, the Company classified all amounts as a current asset in the consolidated balance sheet, respectively;

(ii) As of March 31, 2020, and December 31, 2019, all amounts were classified as a current asset in the consolidated balance sheet;

(iii) Other is comprised of deferred financing costs, subscription payments, utilities, travel costs and software licensing. As of March 31, 2020, and December 31, 2019, the Company classified all amounts as a current asset in the consolidated balance sheet.

(Stated in United States dollars)

6. Property and equipment

	Computer equipment	Furniture and equipment	Laboratory equipment	Leasehold improvements	Total
Cost					
Balance at December 31, 2018	$ 170,002	$ 181,879	$ 352,637	$ 282,975	$ 987,493
Additions	218,076	3,415	3,350	65,672	290,513
Disposals	(2,210)	-	-	-	(2,210)
Balance at December 31, 2019	385,868	185,294	355,987	348,647	1,275,796
Additions	-	-	-	299,268	299,268
Disposals	(9,933)	(64,018)	(13,712)	(76,455)	(164,117)
Balance at March 31, 2020	375,935	121,276	342,275	571,460	1,410,947
Accumulated depreciation					
Balance at December 31, 2018	104,918	29,585	99,696	36,206	270,405
Depreciation	88,417	26,617	68,519	93,597	277,149
Disposals	(901)	-	-	-	(901)
Balance at December 31, 2019	192,434	56,202	168,215	129,803	546,653
Depreciation	22,704	4,421	17,297	31,994	76,416
Disposals	(2,849)	(28,505)	(30,843)	(26,686)	(88,883)
Balance at March 31, 2020	212,289	32,118	154,669	135,111	534,186
Net book value as at:					
December 31, 2019	$ 193,434	$ 129,092	$ 187,772	$ 218,844	$ 729,142
March 31, 2020	$ 163,648	$ 89,157	$ 187,606	$ 436,349	$ 876,760

In February 2020, the Company disposed of assets with a net book value of $75,234. The Company received proceeds of $5,400 and recorded a loss of $69,834 in the consolidated statement of loss and comprehensive loss.

During the three months ended March 31, 2020, the Company reclassified $299,268 of prepaid expenses to property and equipment for leasehold improvements that became ready for use in February 2020, but were paid for in 2019.

(Stated in United States dollars)

7. Intangible assets

	Computer software	Trademarks	Website	Total intangible assets
Cost				
Balance at December 31, 2018	$ 5,143	$ 16,236	$ -	$ 21,379
Additions	-	-	531,419	531,419
Balance at December 31, 2019	5,143	16,236	531,419	552,798
Additions	-	-	-	-
Balance at March 31, 2020	5,143	16,236	531,419	552,798
Accumulated amortization				
Balance at December 31, 2018	5,143	3,178	-	8,321
Amortization	-	1,082	-	1,082
Balance at December 31, 2019	5,143	4,260	-	9,403
Amortization	-	272	44,764	45,036
Balance at March 31, 2020	5,143	4,532	44,764	54,439
Net book value as at:				
December 31, 2019	$ -	$ 11,975	$ 531,419	$ 543,395
March 31, 2020	$ -	$ 11,704	$ 486,655	$ 498,359

Total estimated future amortization of intangible assets for each fiscal year is as follows:

2020	$ 134,804
2021	180,144
2022	180,144
2023	1,089
2024	1,089
2025	1,089
Total	**$ 498,359**

(Stated in United States dollars)

8. Leases

The Company adopted ASC 842 with an initial application date of January 1, 2019. The Company was party to two lease agreements under which it rented office and laboratory space. The rent for both leases was prepaid upon inception and therefore at January 1, 2019, the Company reclassified its prepaid lease balances of $1,613,038 to a right-of-use asset. The Company recorded $42,448 of amortization on the right-of-use asset for the three months ended March 31, 2020 (March 31, 2019 - $127,345).

On February 1, 2020 the Company cancelled its existing lease with Wickfield Phoenix LLC and entered into a new lease. The new lease period is for 60 months, commencing on February 1, 2020 and ending on January 31, 2025 with a monthly rent payment of $32,452 escalating to $36,525 over the lease period. Upon cancellation of the existing lease, the Company received a refund of prepaid rent in the amount of $1,002,113. The carrying value of the right of use asset was $1,061,210 upon cancellation. The Company recorded a loss on right-of-use asset of $59,097 in the consolidated statements of operations and comprehensive loss.

On February 1, 2020, the Company recorded a right-of-use asset and a corresponding lease liability in the amount of $1,553,611 using the Company's incremental borrowing rate of 12%.

During the three months ended March 31, 2020, the Company recognized $68,917 in rent expense related to the February 1, 2020 lease expense with $17,229 recorded in research and development expenses and $51,687 recorded in general and administrative expense in the consolidated statements of operations and comprehensive loss. During the three months ended March 31, 2020, the Company also recorded $4,331 in rent expense related to month to month leases with the entirety in general and administrative expense in the consolidated statements of operations and comprehensive loss

Right-of-use asset		**Premise lease**
Cost		
Aggregate lease commitments	$	2,067,505
Less: impact of present value		(513,894)
Balance at March 31, 2020		**1,553,611**
Reduction in right-of-use asset		
Straight line amortization		68,917
Interest		(15,212)
Balance at March 31, 2020		**53,705**
Net book value as at:		
March 31, 2020	**$**	**1,499,906**

Lease liabilities		**Premise lease**
Additions	$	1,553,611
Payments		(64,904)
Interest		15,212
Total lease liabilities at March 31, 2020		**1,503,919**
Current portion of lease liabilities		222,795
Long term portion of lease liabilities		1,281,124
Total lease liabilities at March 31, 2020	**$**	**1,503,919**

Total remaining undiscounted lease liabilities related to the above lease are as follows:

2020	$	292,068
2021		400,133
2022		412,137
2023		424,501
2024		437,236
2025		36,525
Total	**$**	**2,002,600**

9. Loan arrangements

On October 18, 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 March 31, 2020, no amounts have been borrowed.

10. Preferred stock

The Company is authorized to issue up to 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.

(Stated in United States dollars)

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		11,961,397
Balance at December 31, 2019	12		11,961,397
Balance at March 31, 2020	**12**	**$**	**11,961,397**

(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 $38,603 of share issuance costs as an offset to preferred stock in the year ended December 31, 2019.

11. Common stock

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

Issued and outstanding common stock:

	Number of common stock		Common stock amount
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		6,686,828
Stock issued due to exercise of options	394,735		754,148
Balance at March 31, 2019	108,038,398	$	38,643,728
Balance at December 31, 2019	108,038,398	$	38,566,820
Stock issued from financing (v)	20,833,334		1,431,622
Balance at March 31, 2020	**128,871,732**	**$**	**39,998,442**

(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.

(Stated in United States dollars)

11. Common stock (continued)

(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.

(v) On February 14, 2020, the Company completed a registered direct offering ("RDO") of its common shares and a simultaneous private placement of its warrants ("Series A Warrants") in a fixed combination of one common share and a Series A Warrant to purchase one common share, resulting in the sale of 20,833,334 common shares and Series A Warrants to purchase 20,833,334 common shares at a combined offering price of $0.12 per share and related Series A Warrant. Each Series A Warrant has an exercise price of $0.20 per share, is exercisable six months after issuance and has a term of 5.5 years. The Company also issued warrants to the placement agents to purchase 1,041,667 common shares at an exercise price of $0.15 per share ("Placement Agent Warrants"), which were exercisable immediately upon issuance and have a term of 5 years. In aggregate, the Company issued 20,833,334 common shares, 20,833,334 Series A Warrants in addition to 1,041,667 Placement Agent Warrants.

The Company raised $2,500,000 in gross proceeds as part of the RDO. The Company recorded $1,705,655 as the value of common shares under common stock and $794,345 as the value of Series A Warrants under additional paid-in-capital in the consolidated statements of shareholders' equity.

The direct cash costs related to the issuance of the common shares and warrants issued in February were $348,220. These direct costs were recorded as an offset against the statement of shareholders' equity with $238,217 being recorded under capital stock and $110,003 being recorded under additional paid-in-capital. The Company also recorded the value of the Placement Agent Warrants in the amount of $52,496 as an offset against the statement of shareholders' equity with $35,816 being recorded under capital stock and $16,680 being recorded under additional paid-in-capital.

12. Stock-based compensation

During the three months ended March 31, 2020, the Company issued 5,056,000 stock options, each option entitling the holder to purchase one common share of the Company. The options vest over a period of three years and an have an expiration period of five years. During the three months ended March 31, 2020, nil options were exercised. During the three months ended March 31, 2019, the Company issued 5,995,000 stock options, each option entitling the holder to purchase one common share of the Company. These options vest immediately and have a two-year expiration period. During the three months ended March 31, 2019, 394,735 stock options were exercised.

The continuity of stock options are as follows:

	Number of Options		Weighted Avg Exercise Price
Balance at December 31, 2019	7,040,265	$	1.28
Stock options forfeited January 23, 2020	(50,000)	$	1.52
Stock options forfeited February 25, 2020	(5,000)	$	1.52
Stock options forfeited March 1, 2020	(50,000)	$	1.52
Stock options granted March 14,2020	5,056,000	$	0.19
Balance at March 31, 2020	11,991,265	$	0.82
Vested at March 31, 2020	8,199,265	$	1.11

(Stated in United States dollars)

12. Stock-based compensation (continued)

As at March 31, 2020, details of the issued and outstanding stock options were as follows:

Grant date	Exercise price	Number of options issued and outstanding	Number of vested options outstanding	Number of unvested options outstanding	Weighted Avg Remaining Life outstanding (years)
January 10, 2019	$ 1.52	5,390,265	5,390,265	-	0.78
January 10, 2019	1.52	15,000	15,000	-	0.10
January 10, 2019	1.52	10,000	10,000	-	0.10
January 10, 2019	1.52	10,000	10,000	-	0.10
January 10, 2019	1.52	10,000	10,000	-	0.10
August 19, 2019	0.26	500,000	500,000	-	1.39
August 19, 2019	0.35	100,000	100,000	-	1.39
August 19, 2019	0.45	100,000	100,000	-	1.39
August 19, 2019	0.55	100,000	100,000	-	1.39
August 19, 2019	0.65	100,000	100,000	-	1.39
August 19, 2019	0.75	100,000	100,000	-	1.39
September 16, 2019	0.43	500,000	500,000	-	1.46
March 14, 2020	0.19	5,056,000	1,264,000	3,792,000	4.96
Balance at March 31, 2020		**11,991,265**	**8,199,265**	**3,792,000**	

The fair value of options granted during the three months ended March 31, 2020 and March 31, 2019 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	March 14, 2020	January 10, 2019
Volatility	87%	68%
Risk-free interest rate	0.49%	2.56%
Expected life (years)	5	2
Divedend yield	0%	0%
Common share price	$0.18	$1.23
Strike price	$0.19	$1.52
Forfeiture rate	nil	nil

The Company recorded $155,022 of stock-based compensation for the three months ended March 31, 2020 (2019 - $2,341,104). For the three months ended March 31, 2019 the Company recorded cash receipts of $600,000 as capital stock and reclassified $154,148 of stock-based compensation to capital stock due to the exercise of options.

The Company has estimated its stock option forfeitures to be nil for the three months ended March 31, 2020 (three months ended March 31, 2019 - nil).

(Stated in United States dollars)

13. Warrants

In connection with the February 14, 2020 registered direct offering, the Company issued 20,833,334 five and one half-year Series A warrants to purchase one share of common stock at an exercise price of $.20. The Company also issued 1,041,667 warrants to purchase a share of common stock at an exercise price of $0.15 per share to the placement agents.

As at March 31, 2020, details of the outstanding warrants were as follows:

Original Issue date	Exercise Price	Warrants Issued	Weighted Average Remaining Life
February 14, 2020	0.20	20,833,334	5.38
February 14, 2020	0.15	1,041,667	4.87
Balance at March 31, 2020		**21,875,001**	

The fair value of warrants issued the three months ended March 31, 2020 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	Series A Warrants	Placement Agent Warrants
Volatility	87%	87%
Risk-free interest rate	1.42%	1.42%
Expected life (years)	5.5	5
Dividend yield	0%	0%
Common share price	$0.12	$0.12
Strike price	$0.20	$0.15
Forfeiture rate	nil	nil

14. Commitments and contingencies

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 March 15, 2019 - $2,000,000 in cash
- 2nd payment: At the later of the achievement of a future milestone event or March 15, 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
- 3rd 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
- 4th payment: At the later of the achievement of a future milestone or February 19, 2020 - $2,000,000 in cash.

14. Commitments and contingencies (continued)

As at March 31, 2020, the first and second milestones have been met and paid. The third milestone was met in April 2020. Per the terms of the agreement the cash option of $3,000,000 was chosen. The fourth milestone payment has not 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:

- $3,500,000 in cash payment upon the achievement of future development milestones
- $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 March 31, 2020, none of the future development milestones related to the above agreement have been met.

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at March 31, 2020, and continuing as at May 11, 2020, the Company is not aware of any pending or threatened material litigation claims against the Company, other than as described below.

On November 1, 2019, Heska Corporation ("Heska") filed a complaint for damages and injunctive relief (the "Complaint") in the United States District Court for the Middle District of North Carolina, Case 1:19-cv-01108-LCB-JLW, against Qorvo US, Inc. ("Qorvo US"), Qorvo Biotechnologies, LLC ("Qorvo Biotech" and, together with Qorvo US, "Qorvo") and the Company (collectively with Qorvo, the "Defendants"). The Complaint alleges, among other things, that the Defendants improperly obtained Heska's trade secrets and confidential information and/or conspired to use improper means to misappropriate Heska's trade secrets related to an instrument and related consumable products for performing immunoassay analysis of biomarkers and other substances. The Complaint seeks compensatory and exemplary damages, as well as preliminary and permanent injunctive relief to prevent the Defendants from commercializing the Company's TRUFORMA^{TM} diagnostic instrument. On January 21, 2020, the Defendants filed a motion seeking dismissal of the Complaint. On February 11, 2020, Heska filed its response to the Defendants' motion to dismiss to which the Defendants responded on February 25, 2020. The Court has not yet ruled on Defendants' motion to dismiss, and the litigation remains stayed pending a ruling on that motion. The Company believes that the allegations in the Complaint have no merit and will not have a material adverse effect on the Company's business, results of operations or financial condition. Although the Company is expected to commence the commercialization of its TRUFORMA^{TM} platform by the end of 2020, the novel coronavirus, or COVID-19, pandemic has impacted the Company's expected timing, as described further in the "Risk Factors" section of this Quarterly Report.

Under the terms of the Development and Supply Agreement, dated November 26, 2018, by and between Qorvo Biotech and the Company (the "Qorvo Agreement"), Qorvo Biotech agreed to indemnify the Company and certain related parties against claims alleging infringement or misappropriation of third-party intellectual property rights, subject to certain limitations and exceptions. Qorvo Biotech has notified the Company that Qorvo Biotech has assumed the defense of the Complaint and will indemnify the Company for losses arising from the Complaint in accordance with the terms of the Qorvo Agreement. Qorvo Biotech has further advised the Company that it intends to mount a vigorous defense to the claims in the Complaint, and that it believes the allegations contained in the Complaint are without merit.

15. 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 stock price. When there is insufficient data available, The Company uses a peer group that is publicly traded to calculate expected volatility.

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.

(Stated in United States dollars)

15. 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 March 31, 2020 and December 31, 2019:

	March 31, 2020					
	Less than 3 months	3 to 6 months	6 to 9 months	9 months 1 year	Greater than 1 year	Total
	$	$	$	$	$	$
Third parties						
Accounts payable and accrued liabilities	1,578,968	-	-	-	-	1,578,968
	1,578,968	-	-	-	-	1,578,968

	December 31, 2019					
	Less than 3 months	3 to 6 months	6 to 9 months	9 months 1 year	Greater than 1 year	Total
	$	$	$	$	$	$
Third parties						
Accounts payable and accrued liabilities	2,087,525	-	-	-	-	2,087,525
	2,087,525	-	-	-	-	2,087,525

16. 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 the Company's long-lived assets are in the United States of America (“US”).

	March 31, 2020	December 31, 2019
	$	$
Total assets		
Canada	**312,420**	249,929
US	**4,722,110**	3,933,055
Total US property and equipment	**876,760**	729,142
Total US right-of-use asset	**1,499,906**	1,103,658
	2,376,666	1,832,800

(Stated in United States dollars)

17. Schedule of expenses

	For the three months ended March 31, 2020		
	Research and Development	**Professional Fees**	**General and Administrative**
Salaries, bonus and benefits	$ 212,143	$ -	$ 751,389
Contracted expenditures	362,868	-	-
Marketing and investor relations	-	-	49,552
Travel and accommodation	454	-	12,474
Insurance	239	-	46,031
Office	22,656	-	244,929
Consultants	2,976	290,682	-
Regulatory	-	-	88,468
Rent	17,229	-	56,018
Supplies	11,501	-	-
Total	$ 630,066	$ 290,682	$ 1,248,861

	For the three months ended March 31, 2019		
	Research and Development	**Professional Fees**	**General and Administrative**
Salaries, bonus and benefits	$ 245,307	$ -	$ 2,972,172
Contracted expenditures	1,254,847	-	-
Marketing and investor relations	-	-	52,509
Travel and accommodation	10,049	-	57,264
Insurance	1,466	-	20,781
License fees	5,886,841	-	-
Office	6,428	-	67,243
Consultants	59,786	758,298	-
Regulatory	20,998	-	24,104
Rent	-	-	5,940
Supplies	45,653	-	12,344
Total	$ 7,531,375	$ 758,298	$ 3,212,357

18. Capital risk management

The capital of the Company includes equity, which is comprised of issued common capital stock, preferred 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.

(Stated in United States dollars)

19. Loss per share

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Numerator		
Net loss for the period	$ 2,450,618	$ 11,676,908
Denominator		
Weighted average shares - basic	118,340,596	100,864,022
Stock options	-	-
Warrants	-	-
Denominator for diluted loss per share	118,340,596	100,864,022
Loss per share - basic and diluted	$ (0.02)	$ (0.12)

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. The Company excluded 11,991,265 options and 21,875,001 warrants from the calculation of diluted earnings per share as their effect would have been anti-dilutive.

20. Related party transactions and key management compensation

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

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Salaries and benefits, including bonuses	$ 156,536	$ 320,647
Stock-based compensation	99,613	1,644,325
Total	$ 256,149	$ 1,964,972

21. Subsequent events

On April 9, 2020, the Company completed a $4,000,000 confidentially marketed public offering ("CMPO") of its common shares and warrants ("Series B Warrants) in a fixed combination of one common share and 0.5 of Series B Warrant at a combined offering price of $0.12 per share and related Series B Warrant, resulting in the sale of 33,333,334 common shares and Series B Warrants to purchase 16,666,667 common shares. Each Series B Warrant has an exercise price of $0.15 per share, is immediately exercisable, and has a term of 5 years. The gross proceeds to from the offering, before deducting the placement agent's fees and other estimated offering expenses payable by the Company are $4,000,000.

As of May 11, 2020, the Company has received gross proceeds of $649,870 from the exercise of 4,333,167 Series B Warrants.

On April 3, 2020, the Paycheck Protection Program ("PPP") authorized forgivable loans to small businesses to pay their employees during the COVID-19 crisis. Under the terms of the program the loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made; and

- Employee and compensation levels are maintained.

Payroll costs are capped at $100,000 on an annualized basis for each employee. It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs and loan payments will be deferred for 6 months. The Company received funding on April 20, 2020 for $527,360.

22. Comparative figures

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. Adjustments have been made to the consolidated schedule of expenses for the quarter ended March 31, 2019, to classify health insurance benefits as part of salaries, wages and bonuses and audit fees to professional fees. This change in classification does not affect previously reported cash flows from operating activities in the consolidated statements of cash flows.

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 and forward-looking information under applicable Canadian securities legislation (collectively, "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, and pursuant to applicable Canadian securities legislation 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™, ZM-017, ZM-022, ZM-020, ZM-007, ZM-012 ZM-006, and ZM-011;
- our ability to obtain, and the requirements for, regulatory approval from the Food and Drug Administration's Center for Veterinary Medicine and/or the USDA Center for Veterinary Biologics for our pharmaceutical and diagnostic product candidates, as applicable;
- our ability to obtain funding for our operations;
- 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;
- our plans to develop and commercialize our product candidates;
- the expected impact of the novel coronavirus pandemic on our operations, including the development and commercialization of our TRUFORMA™ platform and the five initial assays;
- our ability to develop and commercialize product candidates that can compete effectively against the product candidates developed and commercialized by our competitors or 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 anticipate 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 company focused on creating point-of-care diagnostic platforms for use by veterinarians treating companion animals (canine, feline, and equine) by focusing on the unmet needs of clinical veterinarians. We believe that our diagnostic platforms 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 point-of-care diagnostic tools for use on pets, and that the pet diagnostic segment of the animal health industry is likely to grow substantially as new diagnostic tools and treatments are identified, developed, and marketed specifically for companion animals.

Our strategic focus is on the final development and commercialization of our TRUFORMA™ diagnostic biosensor platform and the first five assays for the detection of adrenal and thyroid disorders in cats and dogs. The TRUFORMA™ platform uses Bulk Acoustic Wave (BAW) technology to provide a non-optical and fluorescence free detection system for use at the point-of-care. We believe that BAW technology will enable precise and repeatable test results at the point-of-care during a typical veterinary appointment.

In our Annual Report on Form 10-K for the year ended December 31, 2019, we stated the following expectations with respect to our TRUFORMA™ platform:

- verification of TRUFORMA’s™ five initial assays were expected to be completed by the end of the first quarter of 2020;
- our goal was to complete validation by the end of the second quarter of 2020; and

- we expected to commence commercialization of the five initial assays in select strategic markets by the end of 2020.

However, the COVID-19, pandemic has impacted our expected timing for the development and commercialization of our TRUFORMA™ platform and the five initial assays due to a number of factors, including the following:

- our development partner has significantly reduced the number of employees working in its facilities which we expect will delay the completion of the verification of the five initial TRUFORMA™ assays and the manufacturing of commercial quantities of the TRUFORMA™ platform and the related assays;

- veterinary hospitals and clinics that had agreed to participate in the validation of our initial TRUFORMA™ assays have either shut down or limited their operations to those involving only life-threatening conditions; and

- potential customers have restricted access to their facilities which will affect our ability to perform on-site demonstrations and other marketing activities and to install purchased equipment.

- The aforementioned impact of the COVID-19 pandemic was disclosed in our Form 8-K dated April 7,2020 and referred to in a press release issued on April 13, 2020.

Following the commercial launch of TRUFORMA™, we expect to continue the development of our point- of-care diagnostic platform, which is based on miniaturized laser-based Raman spectroscopy technology and is designed to detect pathogens in companion animals. We believe this platform will enable the identification of biological and biochemical signatures in complex biological samples and has the potential to achieve reference lab sensitivity/specificity to screen for a wide range of pathogens in companion animal feces, urine, respiratory, and dermatological samples in minutes without the need for extensive sample prep or the use of reagents. The diagnostic platform requires a small fecal sample preparation. Additionally, the platform has automated analysis and does not require specialized staff training. Because we are focused on the development and commercialization of the TRUFORMA™ platform, which has been adversely affected by the COVID-19 pandemic, we deferred work on this platform. We believe that this diagnostic platform does not require pre-market regulatory approval for use with companion animals in the United States.

We have performed initial development work on a circulating tumor cell (CTC) “liquid biopsy” platform for use in a reference lab setting as a canine cancer diagnostic. This platform is intended for use to detect canine cancers faster, more affordably and less invasively compared to existing methods, which can be expensive and cost prohibitive for pet owners. We have worked on the development of an assay for use with this platform that targets hard-to-diagnose canine cancers, such as hemangiosarcoma and osteosarcoma.

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 $2,450,618 and $11,676,908 for the three months ended March 31, 2020 and March 31, 2019, respectively, and $19,784,054 and $16,647,687 for the years ended December 31, 2019 and December 31, 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 March 31, 2020, we had an accumulated deficit of $54,508,459 and cash and cash equivalents of $1,496,752.

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 the 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 and this Quarterly Report on Form 10-Q.

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.

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, 2019, we had net operating loss carryforwards for federal and state income tax purposes of $16,140,344 and non-capital loss carryforwards for Canadian income tax purposes of approximately $20,366,610, which will begin to expire in fiscal year 2035. 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, 2019, 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 remeasured at the period end exchange rates. Revenue and expenses are remeasured 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 using the graded vesting method. 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 months ended March 31, 2020 compared to three months ended March 31, 2019

Our results of operations for the three months ended March 31, 2020 and March 31, 2019 are as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019	Change	
	$	$	$	%
Expenses				
Research and development	630,066	7,531,375	(6,901,309)	-92%
General and administrative	1,248,861	3,212,357	(1,963,496)	-61%
Professional fees	290,682	758,298	(467,616)	-62%
Amortization - right-of-use asset	42,448	127,345	(84,897)	-67%
Amortization - intangible	45,036	267	44,769	16767%
Depreciation	76,416	62,054	14,362	23%
Loss from operations	2,333,509	11,691,696	(9,358,187)	-80%
Interest expense	651	6,174	(5,523)	-89%
Loss on fixed assets	69,834	-	69,834	N/A
Loss on right-of-use asset	59,097	-	59,097	N/A
Gain on settlement of liabilities	-	(19,737)	19,737	-100%
Other income	(5,500)	-	(5,500)	N/A
Foreign exchange gain	(6,973)	(1,225)	(5,748)	469%
Loss before income taxes	2,450,618	11,676,908	(9,226,290)	-79%
Income tax expense	-	-	-	N/A
Net loss and comprehensive loss	2,450,618	11,676,908	(9,226,290)	-79%

Revenue

We did not generate any revenue during the three months ended March 31, 2020 and March 31, 2019.

Research and Development

Research and development expense for the three months ended March 31, 2020 was $630,066 compared to $7,531,375 for the three months ended March 31, 2019, a decrease of $6,901,309 or 92%. The decrease was primarily due to a reduction in milestone payments and licensing fees of $5,886,841, contracted expenditures of $891,979, consulting fees of $56,810, salaries, bonus and benefits of $33,164, and supplies of $34,152. The reduction in milestone payments resulted primarily from the payment in the 2019 period of an aggregate of $5,000,000 in milestone payments related to our development of TRUFORMA^{TM} under our development and supply agreement with Qorvo Biotechnologies, LLC which did not recur in the 2020 period. In addition, as previously announced, we have focused our efforts on the development and commercialization of TRUFORMA^{TM}, which resulted in the elimination of milestone payments relating to our other product candidates. We expect that our research and development expenditures in 2020 will be lower than in 2019, as our work will focus solely on the verification and validation of TRUFORMA^{TM}. The novel coronavirus, or COVID-19, pandemic has impacted our expected timing for the completion of the development. Changes in timing may also affect anticipated costs of associated with such delays.

General and Administrative

General and administrative expense for the three months ended March 31, 2020 was $1,248,861, compared to $3,212,357 for the three months ended March 31, 2019, a decrease of $1,963,496 or 61%. The decrease was primarily due to a reduction in share-based compensation which was $155,022 for the three months ended March 31, 2020 compared to $2,341,104 for the comparable period in 2019. After adjusting for the share-based compensation expense, general and administrative expense increased $222,586. This increase was due to an increase in office expense of $177,686, primarily associated with the purchase of office furniture for our newly leased office space, an increase in regulatory fees of $64,364, primarily associated with NYSE American listing fees, the reclassification of rent expense from amortization of right-of-use asset of $50,078, offset by a reduction in travel and accommodation of $44,790. Due to our focus on our TRUFORMA^{TM} platform, we have reduced administrative headcount and associated activities and therefore, we expect that general and administrative expense will decrease in the remainder of 2020.

Professional Fees

Professional fees for the three months ended March 31, 2020 were $290,682 compared to $758,298 for the three months ended March 31, 2019, a decrease of $467,616 or 62%. The decrease was primarily due to expenses incurred in the three-month period ended March 31, 2019 relating to filings with the Securities and Exchange Commission which did not recur in the comparable 2020 period.

Net Loss

Our net loss for the three months ended March 31, 2020 was $2,450,618 or $0.02 per share, compared with a net loss of $11,676,908, or $0.12 per share, for the three months ended March 31, 2019, a decrease of $9,226,290 or 79%. 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, if ever, as we have sufficient revenue from our product candidates to offset our operating expenses.

Cash Flows

Three months ended March 31, 2020 compared to three months ended March 31, 2019

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

	Three months ended March 31, 2020	Three months ended March 31, 2019	Change	
	$	$	$	%
Cash flows used in operating activities	(2,173,127)	(2,581,275)	408,148	-16%
Cash flows from financing activities	2,151,780	3,006,828	(855,048)	-28%
Cash flows from (used) in investing activities	1,007,513	(69,087)	1,076,600	-1558%
Increase in cash	986,166	356,466	629,700	177%
Cash and cash equivalents, beginning of period	510,586	1,940,265	(1,429,679)	-74%
Cash and cash equivalents, end of period	1,496,752	2,296,731	(799,979)	-35%

Operating Activities

Net cash used in operating activities for the three months ended March 31, 2020 was $2,173,127, compared to $2,581,275 for the three months ended March 31, 2019, a decrease of $408,148 or 16%. The largest uses of cash resulted primarily from our net loss, as well as a decrease in accounts payable and accrued liabilities of $508,557 and an increase in accounts receivable of $74,845, partially offset by a decrease in the utilization of prepaid expenses and deposits of $409,028 and an increase in non-cash expenses including stock-based compensation of $155,022, depreciation of $76,416, loss on fixed asset disposition of $69,834, loss of right-of-use asset disposition of $59,097 amortization of intangible assets of $45,036, and amortization of right-of-use assets of $42,448.

Net cash used in operating activities for the three months ended March 31, 2019 was $2,581,275. The largest uses of cash in the 2019 period resulted primarily from our net loss, as well as a decrease in accrued liabilities of $5,397,418, which were partially offset by non-cash expenses associated with stock-based compensation of $2,341,104, stock issued for services of $792,104, and amortization of right-of-use assets and intangible assets of $127,612. Other uses included prepaid expenses and deposits of $399,654.

Financing Activities

Net cash from financing activities for the three months ended March 31, 2020 was $2,151,780, compared to $3,006,828 for the three months ended March 31, 2019, a decrease of $855,048 or 28%. Cash from financing activities in the first quarter of 2020 resulted primarily from the $2,500,000 public offering of our common shares, partially offset by stock issuance costs of $348,220.

Net cash from financing activities in the first quarter of 2019 resulted from the $3,000,000 public offering of our common shares, partially offset by stock issuance costs of $593,172 and the exercise of stock options for $600,000.

Investing Activities

Net cash from investing activities for the three months ended March 31, 2020 was $1,007,513, compared to cash used of $69,087 for the three months ended March 31, 2019, an increase of $1,076,600 or 1,558%. The increase resulted primarily from the repurchase of our previous prepaid lease for $1,002,113 and cash received on the sale of property and equipment for $5,400.

Net cash used in investing activities for the three months ended March 31, 2019 was $69,087 which resulted primarily from the additional leasehold improvements in Ann Arbor.

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 March 31, 2020, we had an accumulated deficit of $54,508,459. We have funded our working capital requirements primarily through the sale of our securities and the exercise of stock options.

As at March 31, 2020, the Company had cash of $1,496,752, prepaid expenses and deposits of $520,290, and accounts receivable of $142,463. Current assets amounted to $2,159,505 with current liabilities of $1,801,763, resulting in working capital (defined as current assets minus current liabilities) of $357,742.

On April 9, 2020, the Company completed a confidentially marketed public offering (“CMPO”) of its common shares and warrants for gross proceeds of $4,000,000.

As of March 31, 2020, we had shareholders’ equity of $1,951,643. After giving effect to the April 2020 offering and exercises of Series B Warrants issued in the April 2020 offering, as of May 11, 2020 our pro forma shareholders’ equity at March 31, 2020 would have been $6,173,718.

On April 20, 2020 we received a $527,360 loan under the SBA’s the Paycheck Protection Program.

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. As of March 31, 2020, no amounts have been borrowed against this 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.

Outstanding Share Data

The only class of outstanding voting or equity securities of the Company are the common shares. As of May 11, 2020:

- there are 166,538,233 common shares issued and outstanding;
- there are stock options outstanding under our Stock Option Plan to acquire an aggregate of 11,841,265 common shares; and

- there are common share purchase warrants (collectively, the "February Warrants") outstanding to acquire an aggregate of 21,875,001 common shares, which February Warrants were issued in connection with an offering completed by the Company on February 14, 2020 (which has been described in a Form 8-K dated February 12, 2020). Of these February Warrants, 20,833,334 are exercisable for a cash price of $0.20 per share (the "Series A Warrants"), and 1,041,667 are exercisable for cash price of $0.15 per share (the Placement Agent Warrants"). The February Warrants also have a "cashless exercise" feature which is applicable in certain circumstances. The cashless exercise feature could result in the potential issuance of common shares based upon the "in-the-money" value of the February Warrants at the time of exercise of the applicable February Warrants. The number of the common shares that may be issued is not determinable. However, the number of common shares that are issuable is based upon a formula contained in the February Warrants, which determines the number of common shares issuable by dividing the "in-the-money" value (based upon the then current market price, as provided in the February Warrants) by the then current market price, and multiplying this result by the number of common shares that are issuable under the applicable February Warrants pursuant to cash exercise.

- there were common share purchase warrants (collectively, the "April Warrants") outstanding to acquire an aggregate of 18,333,334 common shares, which April Warrants were issued in connection with an offering completed by the Company on April 9,2020 (which has been described in a Form 8-K dated April 7 2020). Of these April Warrants, 16,666,667 are Series B Warrants, 1,666,667 are Placement Agent Warrants, and are all exercisable for a cash price of $0.15 per share. There are currently 14,000,167 April Warrants outstanding to acquire an aggregate of 14,000,167 common shares. The April Warrants also have a "cashless exercise" feature which is applicable in certain circumstances. The cashless exercise feature could result in the potential issuance of common shares based upon the "in-the-money" value of the April Warrants at the time of exercise of the applicable April Warrants. The number of the common shares that may be issued is not determinable. However, the number of common shares that are issuable is based upon a formula contained in the April Warrants, which determines the number of common shares issuable by dividing the "in-the-money" value (based upon the then current market price, as provided in the April Warrants) by the then current market price, and multiplying this result by the number of common shares that are issuable under the applicable April Warrants pursuant to cash exercise.

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 March 31, 2020, 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 March 31, 2020.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

On November 1, 2019, Heska Corporation ("Heska") filed a complaint for damages and injunctive relief (the "Complaint") in the United States District Court for the Middle District of North Carolina, Case 1:19-cv-01108-LCB-JLW, against Qorvo US, Inc. ("Qorvo US"), Qorvo Biotechnologies, LLC ("Qorvo Biotech" and, together with Qorvo US, "Qorvo") and the Company (collectively with Qorvo, the "Defendants"). The Complaint alleges, among other things, that the Defendants improperly obtained Heska's trade secrets and confidential information and/or conspired to use improper means to misappropriate Heska's trade secrets related to an instrument and related consumable products for performing immunoassay analysis of biomarkers and other substances. The Complaint seeks compensatory and exemplary damages, as well as preliminary and permanent injunctive relief to prevent the Defendants from commercializing the Company's TRUFORMA^{TM} diagnostic instrument. On January 21, 2020, the Defendants filed a motion seeking dismissal of the Complaint. On February 11, 2020, Heska filed its response to the Defendants' motion to dismiss to which the Defendants responded on February 25, 2020. The Court has not yet ruled on Defendants' motion to dismiss, and the litigation remains stayed pending a ruling on that motion. The Company believes that the allegations in the Complaint have no merit and will not have a material adverse effect on the Company's business, results of operations or financial condition. Although the Company is expected to commence the commercialization of its TRUFORMA^{TM} platform by the end of 2020, the novel coronavirus, or COVID-19, pandemic has impacted the Company's expected timing, as described further in the "Risk Factors" section of this Quarterly Report.

Under the terms of the Development and Supply Agreement, dated November 26, 2018, by and between Qorvo Biotech and the Company (the "Qorvo Agreement"), Qorvo Biotech agreed to indemnify the Company and certain related parties against claims alleging infringement or misappropriation of third-party intellectual property rights, subject to certain limitations and exceptions. Qorvo Biotech has notified the Company that Qorvo Biotech has assumed the defense of the Complaint and will indemnify the Company for losses arising from the Complaint in accordance with the terms of the Qorvo Agreement. Qorvo Biotech has further advised the Company that it intends to mount a vigorous defense to the claims in the Complaint, and that it believes the allegations contained in the Complaint are without merit.

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 March 31, 2020 and March 31, 2019 was $2,450,618 and $11,676,908, respectively, and for the years ended December 31, 2019 and December 31, 2018 was $19,784,054 and $16,647,687, respectively. Our accumulated deficit as of March 31, 2020 was $54,508,459. As of March 31, 2020, we had total shareholders' equity of $1,951,643. 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.

The "Novel Coronavirus Disease 2019" ("COVID-19") pandemic has materially and adversely affected the development and commercialization of our TRUFORMA™ platform.

The COVID-19 pandemic has materially and adversely affected the development and commercialization of our TRUFORMA™ platform and the initial five assays. In response to the pandemic, our development partner has reduced the number of employees working in its facilities which we expect will delay the completion of the verification of the five initial TRUFORMA™ assays and the manufacturing of commercial quantities of the TRUFORMA™ platform and the related assays. Veterinary hospitals and clinics that had agreed to participate in the validation of our initial TRUFORMA™ assays have either shut down or limited their operations to those involving only life-threatening conditions. Potential customers have restricted access to their facilities which will affect our ability to perform on-site demonstrations and other marketing activities and to install purchased equipment. The extent to which the COVID-19 pandemic may impact the development and commercialization of our TRUFORMA™ platform and the related assays will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, the spread and severity of COVID-19, and the effectiveness of governmental actions in response to the pandemic.

The COVID-19 outbreak has disrupted our development partners and the COVID-19 pandemic and any future outbreak of a health epidemic or other adverse public health developments could materially and adversely affect our business and operating results.

The COVID-19 outbreak has disrupted our development partners and the COVID-19 pandemic and any future outbreak of a health epidemic or other adverse public health developments could materially and adversely affect our business and operating results. For example, our development partner for our TRUFORMA™ platform and the related assays has reduced the number of employees working in its facility which has significantly impacted our expected timing for the completion of the development and the commencement of the commercialization of our TRUFORMA™ platform and the related assays. If our suppliers are unable or fail to fulfill their obligations to us for any reason, we may not be able to manufacture our products and satisfy customer demand or our obligations under sales agreements in a timely manner, and our business could be harmed as a result. At this point in time, there is uncertainty relating to the potential effect of COVID-19 on our business. Infections may become more widespread and should that cause supply disruptions it would have a negative impact on our business, financial condition and operating results. In addition, a significant health epidemic could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect the market for our products, which could have a material adverse effect on our business, operating results and financial condition.

The COVID-19 pandemic and any future outbreak of a health epidemic or other adverse public health developments could materially and adversely affect the sales of our products.

The COVID-19 pandemic has resulted in a significant spike in unemployment and a concomitant decline in economic activity in the U.S. and many other countries and any future outbreak of a health epidemic or other adverse public health developments may have similar effects. Pet owners may be unwilling or unable to seek treatment for their pets in such circumstances, thereby decreasing demand for our products. In addition, as noted above, potential customers for our products have either shut down or limited their operations to those involving only life-threatening conditions which will affect our ability to perform on-site demonstrations and other marketing activities and to install purchased equipment. Potential customers also may be unwilling or unable to invest in new equipment or to introduce new treatments for their patients. As a result, the COVID-19 pandemic and any future outbreak of a health epidemic or other adverse public health developments could materially and adversely affect the sales of our products.

We are subject to the continued listing requirements of the NYSE American. If we are unable to comply with such requirements, our common shares would be delisted from the NYSE American, which would limit investors' ability to effect transactions in our common shares and subject us to additional trading restrictions.

Our common shares are currently listed on the NYSE American. In order to maintain our listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to these objective standards, the NYSE American may delist the securities of any issuer if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE American inadvisable; if the issuer sells or disposes of principal operating assets or ceases to be an operating company; if an issuer fails to comply with the NYSE American's listing requirements; if an issuer's common stock sells at what the NYSE American considers a "low selling price" (generally trading below $0.20 per share for an extended period of time); or if any other event occurs or any condition exists which makes continued listing on the NYSE American, in its opinion, inadvisable. On April 10, 2020, we received a deficiency letter from the NYSE American indicating that the we are not compliance with Section 1003(f)(v) of the NYSE American Company Guide, because our common shares have been selling for a low price per share for a substantial period time. If we fail to regain compliance with the NYSE American continued listing standards by October 10, 2020, the NYSE American will commence delisting proceedings.

If the NYSE American delists our common shares from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our common shares would qualify to be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our common shares are a "penny stock" which will require brokers trading in our common shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

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/ Shameze Rampertab*
Name: Shameze Rampertab
Title: *Interim CEO and CFO*

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))
31.1	Certification of Interim Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Interim 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.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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: May 11, 2020

/s/Shameze Rampertab

Shameze Rampertab
Interim Chief Executive Officer and Principal Executive Officer
Chief Financial Officer and Principal Financial Officer.

Exhibit 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

In connection with the Quarterly Report on Form 10-Q of Zomedica Pharmaceuticals Corp. (the "Company") for the three month period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Shameze Rampertab, Interim Chief Executive Officer and Chief Financial Officer of the Company, hereby certifies, to his knowledge, 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: May 11, 2020

By:*/s/Shameze Rampertab*
Shameze Rampertab
Interim Chief Executive Officer and Principal Executive Officer
Chief Financial Officer and Principal Financial 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.