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Management Discussion and Analysis Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

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 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 beta testing, including with respect to our lead product, TRUFORMA™;
- our ability to obtain and maintain any required approvals from the USDA Center for Veterinary Biologics for our proposed and future diagnostic products, to the extent 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 products;
- our plans to develop and commercialize our planned and future products;
- 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 products that can compete effectively;
- the size and growth of the veterinary diagnostics and medical device markets;
- our ability to obtain and maintain intellectual property protection for our planned and future products 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;
- risks related to our Series 1 preferred shares;
- our ability to maintain the listing of our common shares on the NYSE American exchange;
- our status as a "passive foreign investment company" for U.S. federal income tax purposes; and
- the anticipated U.S. and Canadian federal income tax consequences of our proposed domestication into a Delaware corporation.

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. 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 veterinary health company creating products for companion animals by focusing on the unmet needs of clinical veterinarians. We expect that our product portfolio will include innovative diagnostics and medical devices that emphasize patient health and practice health. With a team that includes clinical veterinary professionals, our goal is to provide veterinarians the opportunity to increase productivity and grow revenue while better serving the animals in their care.

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. We believe that the TRUFORMA™ diagnostic platform does not require pre-market regulatory approval for use with companion animals in the United States.

Following the commercial launch of TRUFORMA™, we expect to continue the development of another 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. Assuming development work is successfully completed, we expect the commercial launch of our fecal test to occur by 2022 and urine tests by 2023. 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.

Consistent with our focus on the development of point-of-care diagnostic platforms, we intend to seek one or more partners for the further development and commercialization of the liquid biopsy platform.

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 approximately $5.0 million and $12.7 million for the three and nine months ended September 30, 2020 and approximately $2.8 million and $16.9 million for the three and nine months ended September 30, 2019. 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 September 30, 2020, we had an accumulated deficit of approximately $64.8 million and cash and cash equivalents of approximately $52.0 million.

For the foreseeable future, we expect to continue to incur losses, which will increase from historical levels as we expand our product development activities, commercialize products, seek regulatory approvals for our planned and future products to the extent required, and expand our sales and marketing activities.

For further information on the regulatory, business and product pipeline, please see the "Business" section of our Annual Report on Form 10-K. For further information on the risk factors we face, please see the "Risk Factors" section of our 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 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 the development of our 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 approximately $16.1 million and non-capital loss carryforwards for Canadian income tax purposes of approximately $20.4 million, 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 report, 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, as an "emerging growth company" we are not 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 determination of fair value of stock-based compensation, the useful lives of property and equipment, allocation of proceeds from financings to shares and warrants, fair value of placement agent warrants and forecasting future cash flows for assessing the going concern assumption.

Research and Development Costs

Research and development expenses include costs incurred in performing research and development activities, including salaries and benefits, safety and efficacy studies, 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 measured 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 ultimately are expected to vest. We estimate forfeitures at the time of grant and revise these estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. 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 US treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is nil as we are not expected to pay dividends in the foreseeable future.

Loss Per Share

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

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

Comprehensive Loss

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

Results of Operations

Three and nine months ended September 30, 2020 compared to three and nine months ended September 30, 2019

Our results of operations for the three and nine months ended September 30, 2020 and September 30, 2019 are as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change		2020	2019	Change	
	$	$	$	%	$	$	$	%
Expenses								
Research and development	**2,702,103**	962,463	1,739,640	181%	**7,205,674**	9,555,345	(2,349,671)	-25%
General and administrative	**1,335,085**	1,377,252	(42,167)	-3%	**3,607,346**	5,490,928	(1,883,582)	-34%
Professional fees	**839,646**	306,937	532,709	174%	**1,413,118**	1,296,884	116,234	9%
Amortization - right-of-use asset	**-**	127,345	(127,345)	-100%	**42,448**	382,035	(339,587)	-89%
Amortization - intangible	**45,399**	273	45,126	16530%	**135,425**	810	134,615	16619%
Depreciation	**78,200**	70,096	8,104	12%	**232,475**	201,075	31,400	16%
Loss from operations	**5,000,433**	2,844,366	2,156,067	76%	**12,636,486**	16,927,077	(4,290,591)	-25%
Interest income	**(21,238)**	-	(21,238)	N/A	**(21,566)**	-	(21,566)	N/A
Interest expense	**-**	-	-	N/A	**732**	18,338	(17,606)	-96%
Loss on property and equipment	**-**	-	-	N/A	**69,834**	1,308	68,526	5239%
Loss on right-of-use asset	**-**	-	-	N/A	**59,097**	-	59,097	N/A
Gain on settlement of liabilities	**-**	-	-	N/A	**-**	(19,737)	19,737	-100%
Other income	**(1,963)**	-	(1,963)	N/A	**(7,463)**	-	(7,463)	N/A
Foreign exchange gain	**2,743**	1,313	1,430	109%	**1,462**	30	1,432	4773%
Loss before income taxes	**4,979,975**	2,845,679	2,134,296	75%	**12,738,582**	16,927,016	(4,188,434)	-25%
Income tax expense	**-**	-	-	N/A	**-**	-	-	N/A
Net loss and comprehensive loss	**4,979,975**	2,845,679	2,134,296	75%	**12,738,582**	16,927,016	(4,188,434)	-25%

Revenue

We did not generate any revenue during the three and nine months ended September 30, 2020 and September 30, 2019.

Research and Development

Research and development expense for the three months ended September 30, 2020 was approximately $2.7 million, compared to approximately $1.0 million for the three months ended September 30, 2019, an increase of approximately $1.7 million, or 181%. The increase primarily resulted from a milestone expense of $2.0 million pursuant to our development and supply agreement with Qorvo Biotechnologies, LLC. ("Qorvo"), offset in part by decreases in contracted expenditures, supplies, regulatory fees and consulting fees of approximately $237,000.

Research and development expense for the nine months ended September 30, 2020 was approximately $7.2 million, compared to approximately $9.6 million for the nine months ended September 30, 2019, a decrease of approximately $2.3 million, or 25%. The decrease primarily was due to a reduction in general research and development activity as we continue to focus on TRUFORMA™ activities, and is more specifically related to contracted expenditures, milestone expenses, salaries, bonus and benefits, supplies, and consulting fees as compared to the commensurate period in 2019.

General and Administrative

General and administrative expense for the three months ended September 30, 2020 was approximately $1.3 million, compared to approximately $1.4 million for the three months ended September 30, 2019, a decrease of approximately $42,000, or 3%. The decrease resulted primarily from a decrease in travel and accommodation, marketing and investor relations, and other expenses of approximately $316,000, offset in part by increases in regulatory fees, rent expense, which is related to the reclassification of right-of-use asset expense from amortization to rent, salaries, bonus and benefits, insurance and office expense of approximately $274,000.

General and administrative expense for the nine months ended September 30, 2020 was approximately $3.6 million, compared to approximately $5.5 million for the nine months ended September 30, 2019, a decrease of approximately $1.9 million, or 34%. The decrease primarily was due to a reduction in stock compensation expense of approximately $2.1 million compared to the prior period and a reduction in travel and accommodation, marketing and investor relations expenses, salary expense, and supplies of approximately $504,000. These decreases were offset in part by an increase in office expense associated with the expensing of furniture in the office space completed in the first quarter, rent expense which is related to the reclassification of right-of-use asset expense from amortization to rent, regulatory fees, and insurance expense of approximately $681,000.

Professional Fees

Professional fees for the three months ended September 30, 2020 were approximately $840,000, compared to approximately $307,000 for the three months ended September 30, 2019, an increase of $0.5 million, or 174%. The increase primarily was due to an increase in legal fees incurred in connection with our 2020 annual and special meeting and our proposed domestication into a Delaware corporation.

Professional fees for the nine months ended September 30, 2020 were approximately $1.4 million, compared to approximately $1.3 million for the nine months ended September 30, 2019, an increase of approximately $116,000, or 9%. The increase primarily was due to the reasons described in the prior paragraph.

Net Loss

Our net loss for the three months ended September 30, 2020 was approximately $5.0 million, or $0.01 per share, compared with a net loss of approximately $2.8 million, or $0.03 per share, for the three months ended September 30, 2019, an increase of approximately $2.1 million, or 75%. The net loss in each period was attributed to the matters described above.

Our net loss for the nine months ended September 30, 2020 was approximately $12.7 million, or $0.04 per share, compared with a net loss of approximately $16.9 million, or $0.16 per share, for the nine months ended September 30, 2019, a decrease of approximately $4.2 million, or 25%. 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 products to offset our operating expenses.

Cash Flows

Three and nine months ended September 30, 2020 compared to three and nine months ended September 30, 2019

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

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change		2020	2019	Change	
	$	$	$	%	$	$	$	%
Cash flows used in operating activities	**(5,662,629)**	**(3,910,078)**	(1,752,551)	45%	**(13,556,283)**	**(13,767,933)**	211,650	-2%
Cash flows from financing activities	**28,592,833**	**(1,414)**	28,594,247	-2022224%	**64,071,437**	**14,972,319**	49,099,118	328%
Cash flows from (used) in investing activities	**(613)**	**(582,437)**	581,824	-100%	**1,006,900**	**(657,000)**	1,663,900	-253%
Increase in cash	**22,929,591**	**(4,493,929)**	27,423,520	-610%	**51,522,054**	**547,386**	50,974,668	9312%
Cash and cash equivalents, beginning of period	**29,103,049**	**6,981,580**	22,121,469	317%	**510,586**	**1,940,265**	(1,429,679)	-74%
Cash and cash equivalents, end of period	**52,032,640**	**2,487,651**	49,544,989	1992%	**52,032,640**	**2,487,651**	49,544,989	1992%

Operating Activities

Net cash used in operating activities for the three months ended September 30, 2020 was approximately $5.7 million, compared to approximately $3.9 million for the three months ended September 30, 2019, an increase of approximately $1.8 million, or 45%. The increase resulted primarily from a higher net loss in the third quarter of 2020 compared to the third quarter of 2019. In addition, other operating uses of cash included approximately $1.1 million of deposits and prepaid expenses for inventory, insurance, and property tax paid, offset in part by an increase in of accounts payable of approximately $100,000.

Net cash used in operating activities for the nine months ended September 30, 2020 was approximately $13.6 million, compared to approximately $13.8 million for the nine months ended September 30, 2019, a decrease of approximately $212,000, or 2%. The decrease resulted primarily from a lower net loss for the nine months ended September 30, 2020 compared to the comparable period of 2019. In addition, other operating uses of cash include a reduction in accounts payable of approximately $799,000, more than offset by non-cash items including stock compensation expense of approximately $2.5 million, and expense recorded for the issuance of stock for services, amortization of right-of-use asset, and depreciation of approximately $1.4 million.

Financing Activities

Net cash from financing activities for the three months ended September 30, 2020 was approximately $28.6 million, compared to a use of cash of approximately $1,400 for the three months ended September 30, 2019, an increase of approximately $28.6 million. The increase resulted primarily from the sale of our equity securities during the third quarter of 2020 for total gross proceeds of approximately $30.0 million and proceeds from warrant exercises of approximately $864,000, offset in part by stock issuance costs of approximately $2.2 million.

Net cash from financing activities for the nine months ended September 30, 2020 was approximately $64.0 million, compared to approximately $15.0 million for the nine months ended September 30, 2019, an increase of approximately $49.1 million, or 328%. The increase resulted primarily from the sale of our equity securities during the nine months ended September 30, 2020 for total gross proceeds of approximately $56.5 million, proceeds from warrant exercises of approximately $12.1 million, and approximately $527,000 in loan proceeds from the SBA's Paycheck Protection Program, offset in part by stock issuance costs of approximately $5.1 million.

Investing Activities

Net cash used in investing activities for the three months ended September 30, 2020 was approximately $1,000, compared to approximately $582,000 for the three months ended September 30, 2019, a decrease of approximately $582,000, or 100%. Cash used in the 2020 period related to enhancements to our finance and accounting software used in the buying and selling of inventory, whereas cash used in the 2019 period included the addition of the website.

Net cash from investing activities for the nine months ended September 30, 2020 was approximately $1.0 million, compared to net cash used of approximately $657,000 for the nine months ended September 30, 2019, an increase of approximately $1.7 million, or 253%. The increase in net cash from investing activities during the nine months ended September 30, 2020 related primarily to approximately $1.0 million of cash received in connection with the cancellation and buyout of our office lease compared to the prior period in which approximately $700,000 was used in association with the digital data platform, the construction of marketing assets, and the capitalization of integration costs associated with the implementation of an ERP system.

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 September 30, 2020, we had an accumulated deficit of approximately $64.7 million. We have funded our working capital requirements primarily through the sale of our securities and the exercise of stock options and warrants.

As of September 30, 2020, the Company had cash of approximately $52.0 million, prepaid expenses and deposits of approximately $932,000, and accounts receivable of approximately $129,000. Current assets amounted to approximately $53.1 million, with current liabilities of approximately $2.1 million, resulting in working capital (defined as current assets minus current liabilities) of approximately $51.0 million.

As of September 30, 2020, we had shareholders' equity of approximately $53.4 million.

As of November 11, 2020, we had cash of approximately $50.0 million.

On October 17, 2017 we entered into a five-year $5.0 million 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 September 30, 2020, no amounts have been borrowed against this facility.

We believe that our existing cash resources will be sufficient to fund our expected working capital needs through December 2022. 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 and future diagnostics and medical device products;
- the extent to which any of our future diagnostic assays or medical devices may be subject to USDA-CVB pre-market regulation;
- the timing of, and the costs involved in, obtaining regulatory approvals for any of our existing or future diagnostics or medical device products;
- the number and characteristics of the diagnostics and/or medical device products we pursue;
- the cost of manufacturing our existing and future diagnostic and medical device products and any additional products we seek to commercialize;
- the cost of commercialization activities, including marketing, sales and distribution costs;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements; and
- the costs involved in preparing and filing patent applications, maintaining any successfully obtained patents and protecting and enforcing any such patents.

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 November 11, 2020:

- there are 564,051,438 common shares issued and outstanding;

- there are stock options outstanding under our Stock Option Plan to acquire an aggregate of 13,024,640 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 Series A Warrants exercisable for a cash price of $0.20 per share, and 1,041,667 are Series A Placement Agent Warrants exercisable for a cash price of $0.15 per share.

- 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 Series B Placement Agent Warrants, and all are exercisable for a cash price of $0.15 per share. There are currently 6,731,250 April Warrants outstanding to acquire an aggregate of 6,731,250 common shares.

- there were common share purchase warrants (collectively, the "May Warrants") outstanding to acquire an aggregate of 145,503,333 common shares, which May Warrants were issued in connection with an offering completed by the Company on May 29, 2020 (which has been described in a registration statement on Form S-1 (File No. 333-238322) filed on May 26, 2020). Of these May Warrants, 133,333,333 are Series C Warrants, all exercisable for a cash price of $0.15 per share, and 12,170,000 are Pre-funded Warrants, all of which have now been exercised. There are currently 63,899,362 Series C Warrants outstanding to acquire an aggregate of 63,899,362 common shares.

- the there were common share purchase warrants (collectively, the "July Warrants") outstanding to acquire an aggregate of 212,500,000 common shares, which July Warrants were issued in connection with an offering completed by the Company on July 7, 2020 (which has been described in a Form 8-K dated July 6, 2020). Of these July Warrants, 187,500,000 are Series D Warrants, all exercisable for a cash price of $0.16 per share, and 25,000,000 are Pre-funded Warrants, all of which have now been exercised. There are currently 187,500,000 Series D Warrants outstanding to acquire an aggregate of 187,500,000 common shares.

- All of the currently outstanding 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 applicable warrants at the time of exercise of the applicable 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 applicable 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 applicable warrants) by the then current market price, and multiplying this result by the number of common shares that are issuable under the applicable warrants pursuant to cash exercise.

Zomedica Corp.

Condensed unaudited interim consolidated financial statements

For the three and nine months ended September 30, 2020 and 2019

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

Zomedica Corp.

Condensed unaudited interim consolidated balance sheets
As at September 30, 2020 and December 31, 2019
(Stated in United States dollars)

	Note	**September 30, 2020**	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		**$ 52,032,640**	$ 510,586
Prepaid expenses and deposits	5	**932,408**	1,228,585
Tax credits		**129,269**	67,618
		53,094,317	1,806,789
Prepaid expenses and deposits	5	**1,000,000**	-
Property and equipment	6	**720,701**	729,142
Right-of-use asset	8	**1,380,744**	1,103,658
Intangible assets	7	**408,583**	543,395
		$ 56,604,345	$ 4,182,984
Liabilitites and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 1,827,761**	2,087,525
Current portion of lease obligations	8	**242,491**	-
		2,070,252	2,087,525
Lease obligations	8	**1,154,304**	-
		3,224,556	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			
564,051,438 common shares (2019 - 108,308,398)	11	**87,958,137**	38,566,820
Additional paid-in capital	13	**18,256,678**	3,625,083
Accumulated deficit		**(64,796,423)**	(52,057,841)
		53,379,789	2,095,459
		$ 56,604,345	$ 4,182,984

Commitments and contingencies (Note 14)

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

Zomedica Corp.

Condensed unaudited interim consolidated statements of operations and comprehensive loss
For the three and nine months ended September 30, 2020 and 2019
(Stated in United States dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2020	2019	2020	2019
Expenses:					
Research and development	17	**$ 2,702,103**	$ 962,463	**$ 7,205,674**	$ 9,555,345
General and administrative	17	**1,335,085**	1,377,252	**3,607,346**	5,490,928
Professional fees	17	**839,646**	306,937	**1,413,118**	1,296,884
Amortization - right-of-use asset	8	**-**	127,345	**42,448**	382,035
Amortization - intangible assets	7	**45,399**	273	**135,425**	810
Depreciation	6	**78,200**	70,096	**232,475**	201,075
Loss from operations		**5,000,433**	2,844,366	**12,636,486**	16,927,077
Interest income		**(21,238)**	-	**(21,566)**	-
Interest expense		**-**	-	**732**	18,338
Loss on disposal of property and equipment	6	**-**	-	**69,834**	1,308
Loss on right-of-use-asset	8	**-**	-	**59,097**	-
Gain on settlement of liabilities		**-**	-	**-**	(19,737)
Other income		**(1,963)**	-	**(7,463)**	-
Foreign exchange loss (gain)		**2,743**	1,313	**1,462**	30
Loss before income taxes		**4,979,975**	2,845,679	**12,738,582**	16,927,016
Income tax expense		**-**	-	**-**	-
Net loss and comprehensive loss		**$ 4,979,975**	$ 2,845,679	**$ 12,738,582**	$ 16,927,016
Weighted average number of common shares - basic and diluted		**550,541,878**	108,038,398	**291,314,002**	105,711,459
Loss per share - basic and diluted		**$ (0.01)**	$ (0.03)	**$ (0.04)**	$ (0.16)

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

Zomedica Corp.

Condensed unaudited interim consolidated statements of shareholders' equity
For the three and nine months ended September 30, 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-based compensation	12	-	-	-	-	-	2,539,092	-	2,539,092
Stock issuance for financing, net of cost	10,11	12	11,961,397	9,337,529	6,690,922	(4,280,000)	-	-	14,372,319
Stock issued due to exercise of options	11,12	-	-	394,735	754,148	-	(154,148)	-	600,000
Net loss		-	-	-	-	-	-	(16,927,016)	(16,927,016)
Balance at September 30, 2019		**12**	**$ 11,961,397**	**108,038,398**	**$ 38,647,822**	**$ -**	**$ 3,625,083**	**$ (49,200,803)**	**$ 5,033,499**
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, warrants and prefunded warrant issued for financing	11	-	-	337,830,001	32,275,266	-	24,221,017	-	56,496,283
Stock issuance costs	11	-	-	-	(2,979,594)	-	(2,128,021)	-	(5,107,615)
Placement agent warrants	11	-	-	-	(154,767)	-	154,767	-	-
Stock-based compensation	12	-	-	-	-	-	478,835	-	478,835
Stock issued due to exercise of warrants and prefunded warrants	11	-	-	118,183,039	20,250,412		(8,095,003)	-	12,155,409
Net loss		-	-	-	-	-	-	(12,738,582)	(12,738,582)
Balance at September 30, 2020		**12**	**$ 11,961,397**	**564,051,438**	**$ 87,958,137**	**$ -**	**$ 18,256,678**	**$ (64,796,423)**	**$ 53,379,789**

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

Zomedica Corp.

Condensed unaudited interim consolidated statements of cash flows
For the three and nine months ended September 30, 2020 and 2019
(Stated in United States dollars)

	Note	Three months ended September 2020	Three months ended September 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows used in operating activities:					
Net loss for the period		**$ (4,979,975)**	$ (2,845,679)	**$ (12,738,582)**	$ (16,927,016)
Adjustments for					
Depreciation	6	**78,200**	70,096	**232,475**	201,075
Amortization - intangible assets	7	**45,399**	273	**135,425**	810
Amortization - right-of-use-asset	8	**-**	127,345	**42,448**	382,035
Loss on disposal of property and equipment	6	**-**	-	**69,834**	1,308
Loss on right-of-use asset	8	**-**	-	**59,097**	-
Non-cash portion of rent expense	8	**6,019**	-	**16,051**	-
Stock issued for services	11	**-**	-	**-**	792,104
Stock-based compensation	12	**187,969**	197,988	**478,835**	2,539,092
Change in non-cash operating working capital					
Tax credits and other receivables		**53,228**	19,558	**(61,651)**	(22,333)
Prepaid expenses		**(243,461)**	(122,315)	**(175,553)**	140,695
Deposits		**(906,300)**	21,366	**(827,538)**	(76,709)
Accounts payable and accrued liabilities		**96,292**	(1,378,710)	**(787,124)**	(798,994)
		(5,662,629)	(3,910,078)	**(13,556,283)**	(13,767,933)
Cash flows from financing activities:					
Proceeds from financing of preferred shares	10	**-**	-	**-**	12,000,000
Proceeds from issuance of common shares, warrants and pre-funded warrants	11,13	**29,997,500**	-	**56,496,283**	3,000,000
Cash received from warrant exercises	13	**863,550**	-	**12,155,409**	600,000
Cash paid on stock issuance costs	11,13	**(2,268,217)**	(1,414)	**(5,107,615)**	(627,681)
Cash received for government loan	9	**-**	-	**527,360**	-
		28,592,833	(1,414)	**64,071,437**	14,972,319
Cash flows (used in) from investing activities:					
Cash from sale of property and equipment	6	**-**	-	5,400	-
Investment in intangibles		**-**	(501,487)	-	(501,487)
Investment in property and equipment	6	**(613)**	(80,950)	(613)	(155,513)
Cash from lease repurchase	8	**-**	-	1,002,113	-
		(613)	(582,437)	**1,006,900**	(657,000)
Increase in cash and cash equivalents		**22,929,591**	(4,493,929)	**51,522,054**	547,386
Cash and cash equivalents, beginning of period		**29,103,049**	6,981,580	**510,586**	1,940,265
Cash and cash equivalents, end of period		**$ 52,032,640**	$ 2,487,651	**$ 52,032,640**	$ 2,487,651
Supplemental cash flow information:					
Interest paid		**$ -**	$ 12,164	**$ 651**	$ 18,338
Interest received		**$ 14,347**	$ -	**$ 14,347**	$ -

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

1. Nature of operations and going concern

Zomedica 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. On November 17, 2017, the Company cross-listed on the NYSE American. On February 10, 2020, Zomedica Pharmaceuticals Corp. voluntarily delisted from the TSX-V. On October 5, 2020, Zomedica Pharmaceuticals Corp. changed its name to Zomedica Corp.

Zomedica has one corporate subsidiary, Zomedica Pharmaceuticals, Inc., a Delaware company whose results and operations are included in these consolidated financial statements. We are a development stage veterinary health company focused on creating point-of-care diagnostic platforms for use by veterinarians treating companion animals by focusing on the unmet needs of clinical veterinarians. 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.

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 and nine months ended September 30, 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, allocation of proceeds from financings to shares and warrants, fair value of placement agent warrants, 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 its 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.

Research and development

Research and development costs related to continued research and development programs are expensed as incurred in accordance with Accounting Standards Codification ("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 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 measured 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.

3. Significant accounting policies (continued)

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 and warrants to purchase common shares of the Company during the period were not included in the computation of diluted EPS as the Company has incurred a loss for the three and nine months ended September 30, 2020 and 2019 and the effect would be anti-dilutive.

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 in accordance with U.S. GAAP 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.

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

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

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, volatility and dividends.

Useful lives of property and equipment

The Company reviews the estimated useful lives of property and equipment with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended due to various factors including technology, competition and revised service offerings. During the three and nine months ended September 30, 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")

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. The closure of businesses has 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 and deposits

	September 30, 2020	December 31, 2019
Deposits (i)	**$ 1,561,503**	$ 1,033,231
Prepaid marketing (ii)	**32,190**	19,829
Prepaid insurance (ii)	**258,306**	110,636
Other (iii)	**80,409**	64,889
Total	**$ 1,932,408**	$ 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 September 30, 2020, and December 31, 2019, the Company classified $1,000,000 and nil as a non-current asset, with the remainder classified as a current asset in the consolidated balance sheet;

(ii) As of September 30, 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 September 30, 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 September 30, 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	277,150
Disposals	(901)	-	-	-	(901)
Balance at December 31, 2019	192,434	56,202	168,215	129,803	546,654
Depreciation	65,330	13,333	52,267	101,545	232,475
Disposals	(2,849)	(28,505)	(30,843)	(26,686)	(88,883)
Balance at September 30, 2020	254,915	41,030	189,639	204,662	690,246
Net book value as at:					
December 31, 2019	$ 193,434	$ 129,092	$ 187,772	$ 218,844	$ 729,142
September 30, 2020	$ 121,020	$ 80,246	$ 152,636	$ 366,798	$ 720,701

In the nine months ended September 30, 2020 and 2019, the Company disposed of assets with a net book value of $75,234 and $1,308. The Company received proceeds of $5,400 and nil and recorded a loss of $69,834 and $1,308 in the consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2020 and 2019.

In February 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	-	-	613	613
Balance at September 30, 2020	5,143	16,236	532,032	553,411
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	-	820	134,605	135,425
Balance at September 30, 2020	5,143	5,080	134,605	144,828
Net book value as at:				
December 31, 2019	$ -	$ 11,976	$ 531,419	$ 543,395
September 30, 2020	$ -	$ 11,156	$ 397,427	$ 408,583

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

2020	$ 46,009
2021	180,144
2022	180,144
2023	1,089
2024	1,089
2025	108
Total	**$ 408,583**

8. Leases

The Company adopted ASC 842 with an initial application date of January 1, 2019. The Company was party to two lease agreements with Wickfield Phoenix LLC, 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 balance of $1,613,038 to a right-of-use asset. The Company recorded nil and $42,448 of amortization on the right-of-use asset for the three and nine months ended September 30, 2020 (September 30, 2019 - $127,345 and $382,035).

On February 1, 2020 the Company cancelled its existing leases 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. In February 2020, the Company recorded a loss on the 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 and nine months ended September 30, 2020, the Company recognized $103,375 and $279,997 in rent expense with $17,229 and $56,221 recorded in research and development expenses and $86,146 and $223,776 recorded in general and administrative expense in the consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2019, the Company recognized $7,603 and $19,483 in rent expense with nil recorded in research and development expenses and $7,603 and $19,483 recorded in general and administrative expense in the consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2020, the Company also recorded nil and $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.

(Stated in United States dollars)

8. Leases (continued)

Right-of-use asset		**Premise lease**
Cost		
Aggregate lease commitments	$	2,067,505
Less: impact of present value		(513,894)
Balance at September 30, 2020		**1,553,611**
Reduction in right-of-use asset		
Straight line amortization		275,667
Interest		(102,800)
Balance at September 30, 2020		**172,867**
Net book value as of:		
September 30, 2020	**$**	**1,380,744**

Lease liabilities		**Premise lease**
Additions	$	1,553,611
Payments		(259,616)
Interest		102,800
Total lease liabilities at September 30, 2020		**1,396,795**
Current portion of lease liabilities		242,491
Long term portion of lease liabilities		1,154,304
Total lease liabilities at September 30, 2020	**$**	**1,396,795**

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

2020	$	97,357
2021		400,133
2022		412,137
2023		424,501
2024		437,236
2025		36,525
Total	**$**	**1,807,889**

(Stated in United States dollars)

9. Loan arrangements

On October 17, 2017, the Company entered into a loan arrangement with a shareholder of the Company pursuant to which such shareholder has agreed to provide a loan facility to the Company whereby the Company may borrow up to $5,000,000, with the proceeds to be used for working capital and general corporate purposes. The term of the loan facility is five (5) years, with principal and interest payments being due only at the time of maturity. Under the loan agreement, the Company may borrow in one or more advances provided, however, that a minimum amount of $250,000 must be borrowed at any one time and not more than two advances may occur per month. Interest shall accrue at a rate of fourteen percent (14%) per annum, payable upon maturity. As of September 30, 2020, no amounts have been borrowed.

In April of 2020, the Company received $527,360 from the Small Business Administration’s Paycheck Protection Program. The receipt is currently reported in accounts payable and accrued liabilities. If the loan is required to be repaid it will be granted a two-year term at 1% interest.

10. Preferred stock

The Company is authorized to issue 20 shares of 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 the 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 the Company 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.

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 September 30, 2020	12	$	11,961,397

(Stated in United States dollars)

11. Common stock

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

Issued and outstanding common stock:

	Number of common stock	Common stock amount
Balance at December 31, 2018	97,598,898	$30,410,648
Stock issuance for services (i and ii)	707,236	792,104
Stock issued from financing (iii and iv)	9,337,529	6,690,922
Stock issued due to exercise of options	394,735	754,148
Balance at September 30, 2019	108,038,398	$38,647,822
Balance at December 31, 2019	108,038,398	$38,566,820
Stock issued from financing (v,vi,vii,viii)	337,830,001	29,140,905
Stock issued from the financing and exercise of prefunded warrants (viii)	37,146,984	3,410,276
Stock issued from the exercise of warrants (ix and xi)	81,036,055	16,840,136
Balance at September 30, 2020	564,051,438	$87,958,137

(i) On January 14, 2019, the Company settled $75,000 of amounts due to a vendor by issuing 49,342 common shares valued at $55,263 at the date of issuance. The Company recorded a $19,737 gain on the settlement of liabilities.

(ii) On January 14, 2019, the Company issued 657,894 common shares in satisfaction of $1,000,000 of all remaining milestones under a License and Supply Agreement with a third party. The Company recognized $736,841 as research and development expense, based on the value of the common stock on the date of issuance.

(iii) On January 14, 2019, the Company completed a non-brokered private placement, and issued 2,815,789 common shares. Gross proceeds of $4,280,000 were received prior to December 31, 2018. The Company recorded $465 of share issuance costs as an offset to common stock.

(iv) On March 28, 2019, the Company completed an underwritten public offering of its common stock pursuant to which the Company sold an aggregate 6,521,740 common shares for gross proceeds of $3,000,000. The Company recorded $592,707 of share issuance costs as an offset to common stock.

(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- and one-half 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 (“Series A 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 and an additional 1,041,667 Series A Placement Agent Warrants.

11. Common stock (continued)

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 2020 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 Series A 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.

(vi) On April 9, 2020 the Company completed a confidentially marketed public offering ("CMPO") of its common shares and warrants ("Series B Warrants") of 33,333,334 common shares and warrants to purchase up to 16,666,667 common shares. The securities were sold in a fixed combination of one common share and 0.5 of a Series B Warrant at a combined offering price of $0.12 per share and accompanying warrant. Each whole warrant is exercisable immediately for one common share after issuance, at an exercise price of $0.15 per share and has a term of 5 years. The Company also issued warrants to the placement agents to purchase 1,666,667 common shares at an exercise price of $0.15 per share ("Series B Placement Agent Warrants"), which were exercisable immediately upon issuance and have a term of 5 years. In aggregate, the Company issued 33,333,334 common shares,16,666,667 Series B Warrants, and an additional 1,666,667 Series B Placement Agent Warrants.

The Company raised $4,000,000 in gross proceeds in the CMPO. The Company recorded $2,942,248 as the value of common shares under common stock and $1,057,752 as the value of Series B 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 April were $582,977. These direct costs were recorded as an offset against the statement of shareholders' equity with $428,283 being recorded under capital stock and $154,694 being recorded under additional paid-in-capital. The Company also recorded the value of the Series B Placement Agent Warrants in the amount of $161,714 as an offset against the statement of shareholders' equity, with $118,951 being recorded under capital stock and $42,763 being recorded under additional paid-in-capital.

(vii) On May 29, 2020 the Company completed a public offering of its common shares or common share equivalents ("Series C Pre-Funded Warrants"), and warrants ("Series C Warrants") in a fixed combination of one common share or Series C Pre-Funded Warrant, and a Series C Warrant to purchase one common share, resulting in the sale of 121,163,333 common shares, 12,170,000 Series C Pre-Funded Warrants, and Series C Warrants to purchase 133,333,333 common shares at a combined offering price of $0.15 per share for the common shares and related Series C Warrant, or a combined offering price of $0.1499 per Pre-Funded Warrant and related Series C Warrant. Each Series C Pre-Funded Warrant has an exercise price of $0.0001 per share, is exercisable immediately after issuance, is exercisable only on a cashless exercise basis, and will not expire prior to exercise. Each Series C Warrant has an exercise price of $0.15 per share, is exercisable immediately after issuance and has a term of 2 years.

11. Common stock (continued)

The Company raised $19,998,783 in gross proceeds as part of the public offering. The Company recorded $11,336,422 as the value of common shares under common stock, $1,080,289 as the value of the Series C Pre-Funded Warrants and $7,582,072 as the value of Series C 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, Series C Pre-Funded Warrants and Series C Warrants issued in May 2020 were $1,908,202. These direct costs were recorded as an offset against the statement of shareholders' equity with $1,088,876 being recorded under capital stock and $819,327 being recorded under additional paid-in-capital.

(viii) On July 7, 2020 the Company completed a public offering of its common shares or common share equivalents ("Series D Pre-Funded Warrants"), and warrants ("Series D Warrants") in a fixed combination of one common share or Series D Pre-Funded warrant, and a Series D Warrant to purchase one common share, resulting in the sale of 162,500,000 common shares, 25,000,000 Series D Pre-Funded Warrants, and Series D Warrants to purchase 187,500,000 common shares at a combined offering price of $0.16 per share for the common shares and related Series D Warrant, or a combined offering price of $0.1599 per Series D Pre-Funded warrant and related Series D Warrant. Each Series D Pre-Funded warrant has an exercise price of $0.0001 per share, is exercisable immediately after issuance, is exercisable only on a cashless exercise basis, and will not expire prior to exercise. Each Series D Warrant has an exercise price of $0.16 per share, is exercisable immediately after issuance, and has a term of 2 years.

The Company raised $29,997,500 in gross proceeds as part of the public offering. The Company recorded $16,290,941 as the value of common shares under common stock, $2,329,983 as the value of the Series D Pre-Funded Warrants and $11,376,575 as the value of the Series D 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, Series D Pre-Funded Warrants and Series D Warrants issued in July 2020 were $2,268,215. These direct costs were recorded as an offset against the statement of shareholders' equity with $1,224,218 being recorded under capital stock and $1,043,997 being recorded under additional paid-in-capital.

(ix) All Series C Pre-Funded Warrants were exercised in June 2020. The cashless exercise option resulted in the issuance of 12,162,492 shares.

(x) All Series D Pre-Funded Warrants were exercised in July 2020. The cashless exercise, option resulted in the issuance of 24,984,492 shares.

(xi) As of September 30, 2020, 11,602,084 Series B Warrants have been exercised, resulting in additional cash proceeds of $1,740,313, and 69,433,971 Series C Warrants have been exercised, resulting in additional cash proceeds of $10,415,096.

(Stated in United States dollars)

12. Stock-based compensation

During the three months ended September 30, 2020 and 2019, nil options were exercised. During the nine months ended September 30, 2020 and 2019, nil and 394,735 options were exercised, respectively. During the three months ended September 30, 2020 and 2019, the Company issued 515,000 and 1,500,000 stock options, respectively. During the nine months ended September 30, 2020 and 2019, the Company issued 7,571,000 and 7,495,000 stock options, respectively, each option entitling the holder to purchase one common share of the Company.

The continuity of stock options is 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)		1.12
Stock options forfeited March 1, 2020	(50,000)		1.52
Stock options granted March 14, 2020	5,056,000		0.19
Stock options forfeited April 21, 2020	(150,000)		0.19
Stock options forfeited May 4, 2019	(15,000)		0.19
Stock options forfeited May 5, 2020	(30,000)		1.52
Stock options forfeited May 7, 2020	(15,000)		1.52
Stock options forfeited June 11, 2020	(15,000)		1.52
Stock options granted June 16, 2020	2,000,000		0.19
Stock options granted July 9, 2020	175,000		0.18
Stock options forfeited July 20, 2020	(400,000)		1.52
Stock options forfeited July 20, 2020	(50,000)		0.19
Stock options forfeited July 31, 2020	(3,750)		0.19
Stock options forfeited August 2, 2020	(10,000)		1.52
Stock options forfeited August 2, 2020	(5,000)		0.19
Stock options forfeited August 14, 2020	(675,000)		0.19
Stock options forfeited August 19, 2020	(75,375)		0.19
Stock options granted August 25, 2020	40,000		0.13
Stock options forfeited September 25, 2020	(37,500)		0.19
Stock options granted September 29, 2020	300,000		0.11
Balance at September 30, 2020	13,024,640	$	0.72
Vested at September 30, 2020	9,136,348	$	0.95

(Stated in United States dollars)

12. Stock-based compensation (continued)

As at September 30, 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	4,965,265	4,965,265	-	0.28
August 19, 2019	0.26	500,000	500,000	-	0.88
August 19, 2019	0.35	100,000	100,000	-	0.88
August 19, 2019	0.45	100,000	100,000	-	0.88
August 19, 2019	0.55	100,000	100,000	-	0.88
August 19, 2019	0.65	100,000	100,000	-	0.88
August 19, 2019	0.75	100,000	100,000	-	0.88
September 16, 2019	0.43	500,000	500,000	-	0.96
March 14, 2020	0.19	4,044,375	1,209,000	2,835,375	4.45
June 16, 2020	0.19	2,000,000	1,333,334	666,666	4.71
July 9, 2020	0.18	175,000	43,750	131,250	4.78
August 25, 2020	0.13	40,000	10,000	30,000	4.90
September 29, 2020	0.11	300,000	75,000	225,000	5.00
Balance at September 30, 2020		**13,024,640**	**9,136,349**	**3,888,291**	

The fair value of options granted during the three and nine months ended September 30, 2020 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	July 9, 2020	**June 16, 2020**	**March 14, 2020**
Volatility	100%	100%	87%
Risk-free interest rate	0.28%	0.21%	0.49%
Expected life	5 years	5 years	5 years
Divedend yield	0%	0%	0%
Common share price	$0.17	$0.19	$0.18
Strike price	$0.18	$0.19	$0.19
Forfeiture rate	nil	nil	nil

	September 29, 2020	**August 25, 2020**
Volatility	100%	99%
Risk-free interest rate	0.24%	0.30%
Expected life	5 years	5 years
Divedend yield	0%	0%
Common share price	$0.10	$0.13
Strike price	$0.11	$0.13
Forfeiture rate	nil	nil

(Stated in United States dollars)

12. Stock-based compensation (continued)

The Company recorded $187,969 and $478,835 of stock-based compensation for the three and nine months ended September 30, 2020 (2019 – $197,988 and $2,539,092). For the three and nine months ended September 30, 2020 the Company recorded nil cash receipts due to the exercise of options. For the three and nine months ended September 30, 2019 the Company recorded nil and $600,000 in cash receipts and reclassified nil and $154,148 of stock-based compensation to common stock due to the exercise of options.

The Company has estimated its stock option forfeitures to be nil for the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 - nil).

13. Warrants

In connection with the February 14, 2020 RDO, the Company issued 20,833,334 five and one half-year Series A Warrants to purchase one common share at an exercise price of $0.20. The Company also issued 1,041,667 Series A Placement Agent Warrants to purchase one common share at an exercise price of $0.15 per share.

In connection with the April 9, 2020 CMPO, the Company issued 16,666,667 five-year Series B Warrants to purchase one common share at an exercise price of $0.15. The Company also issued 1,666,667 Placement Agent Warrants to purchase one common at an exercise price of $0.15 per share.

In connection with the May 29, 2020 public offering, the Company issued 133,333,333 two-year Series C Warrants to purchase one share of common stock at an exercise price of $0.15. The Company also issued 12,170,000 Series C Pre-Funded Warrants to purchase common shares at an exercise price of $0.0001 on a cashless exercise basis. As of September 30, 2020, the Series C Pre-Funded Warrants have all been exercised.

In connection with the July 7, 2020 public offering, the Company issued 187,500,000 two-year Series D Warrants to purchase one share of common stock at an exercise price of $0.16. The Company also issued 25,000,000 Series D Pre-Funded Warrants to purchase common shares at an exercise price of $0.0001 on a cashless exercise basis. As of September 30, 2020, the Series D Pre-Funded Warrants have all been exercised.

As of September 30, 2020, details of the outstanding warrants were as follows:

Original Issue date	Exercise Price	Warrants Outstanding	Weighted Average Remaining Life
February 14, 2020	0.20	20,833,334	4.87
February 14, 2020	0.15	1,041,667	4.37
April 9, 2020	0.15	6,731,250	4.53
May 29, 2020	0.15	63,899,362	1.66
July 7, 2020	0.16	187,500,000	1.77
Balance at September 30, 2020		**280,005,613**	

(Stated in United States dollars)

13. Warrants (continued)

The fair value of warrants issued during the three and nine months ended September 30, 2020 was estimated using the Black-Scholes option pricing model to determine the fair value of warrants granted using the following assumptions:

	Series A Warrants February 14, 2020	Series A Placement Agent Warrants February 14, 2020
Volatility	87%	87%
Risk-free interest rate	1.42%	1.42%
Expected life	5.5 years	5 years
Dividend yield	0%	0%
Common share price	$0.12	$0.12
Strike price	$0.20	$0.15
Forfeiture rate	nil	nil

	Series B Warrants April 9, 2020	Series B Placement Agent Warrants April 9, 2020
Volatility	99%	99%
Risk-free interest rate	0.41%	0.41%
Expected life	5 Years	5 Years
Dividend yield	0%	0%
Common share price	$0.14	$0.14
Strike price	$0.15	$0.15
Forfeiture rate	nil	nil

	Series C Warrants May 29, 2020
Volatility	118%
Risk-free interest rate	0.16%
Expected life	2 Years
Dividend yield	0%
Common share price	$0.16
Strike price	$0.15
Forfeiture rate	nil

	Series D Warrants July 7, 2020
Volatility	118%
Risk-free interest rate	0.16%
Expected life	2 Years
Dividend yield	0%
Common share price	$0.17
Strike price	$0.16
Forfeiture rate	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 September 12, 2019, can decide to receive payment as follows:
  - $3,000,000 in cash or
  - $1,500,000 in cash and $1.95 million in equity
- 2nd payment: At the later of the achievement of a future milestone or February 19, 2020 - $2,000,000 in cash.
- 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.

As of September 30, 2020, all milestones have been met and paid.

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

- 1st payment: $3,500,000 in cash payment upon the achievement of future development milestones.
- 2nd payment: $3,500,000 in equity based on the number of the Company's common stock determined by dividing the amount due by the VWAP 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 of September 30, 2020, neither of the future development milestones related to the above agreement has been met.

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") which was amended on November 22, 2019. The amended 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 amended Complaint seeks compensatory and exemplary damages, as well as preliminary and permanent injunctive relief to prevent the Defendants from commercializing the TRUFORMA™ 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. Heska subsequently moved to strike a portion of the Defendants' response. On September 30, 2020, the court denied the Defendants' motion to dismiss and granted Heska's motion to strike. The Company believes that the allegations in the amended Complaint have no merit and will not have a material adverse effect on our business, results of operations or financial condition.

14. Commitments and contingencies (continued)

Under the terms of the Development and Supply Agreement, dated November 26, 2018, by and between Qorvo Biotech and the Company (as amended, the "Qorvo Agreement"), Qorvo Biotech agreed to indemnify us 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 us that Qorvo Biotech has assumed the defense of the amended Complaint and will indemnify us for losses arising from the amended Complaint in accordance with the terms of the Qorvo Agreement. Qorvo Biotech has further advised us that it intends to mount a vigorous defense to the claims in the amended Complaint, and that it believes the allegations contained in the amended 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 assets or liabilities.

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

The carrying values of cash and accounts payable and accrued liabilities 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 the short-term nature of these balances.

15. Financial instruments (continued)

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 an FX loss while a weakening U.S. dollar will lead to an 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.

(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 September 30, 2020 and December 31, 2019:

						September 30, 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	**1,827,761**	**-**	**-**	**-**	**-**	**1,827,761**
	1,827,761	**-**	**-**	**-**	**-**	**1,827,761**

						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

(Stated in United States dollars)

16. Segmented information

The Company's operations comprise a single reportable segment engaged in research and 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 non-segmented amounts. In addition, all of the Company's long-lived assets are in the United States of America ("US").

		September 30, 2020	December 31, 2019
		$	$
Total assets			
	Canada	**52,077,832**	249,929
	US	**4,526,513**	3,933,055
Total US property and equipment		**720,701**	729,142
Total US right-of-use asset		**1,380,744**	1,103,658
		2,101,445	1,832,800

17. Schedule of expenses

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Research and Development	**Professional Fees**	**General and Administrative**	Research and Development	Professional Fees	General and Administrative
Salaries, bonus and benefits	**$ 118,015**	**$ -**	**$ 910,668**	$ 147,515	$ -	$ 879,422
Contracted expenditures	**544,952**	**-**	**-**	661,917	-	-
Marketing and investor relations	**-**	**-**	**59,559**	-	-	165,837
Travel and accommodation	**-**	**-**	**91**	8,327	-	198,993
Insurance	**181**	**-**	**62,649**	1,301	-	36,065
License fees	**2,000,000**	**-**	**-**	-	-	-
Office	**9,750**	**-**	**63,771**	11,565	-	52,332
Consultants	**6,500**	**839,646**	**-**	29,343	306,937	-
Regulatory	**-**	**-**	**152,201**	31,773	-	26,163
Rent	**17,229**	**-**	**86,146**	-	-	7,603
Supplies	**5,476**	**-**	**-**	70,722	-	10,837
Total	**$ 2,702,103**	**$ 839,646**	**$ 1,335,085**	$ 962,463	$ 306,937	$ 1,377,252

	For the nine months ended Septebmer 30, 2020			For the nine months ended September 30, 2019		
	Research and Development	**Professional Fees**	**General and Administrative**	Research and Development	Professional Fees	General and Administrative
Salaries, bonus and benefits	**$ 433,659**	**$ -**	**$ 2,414,103**	$ 651,315	$ -	$ 4,524,682
Contracted expenditures	**1,423,764**	**-**	**-**	2,474,483	-	-
Marketing and investor relations	**-**	**-**	**176,938**	-	-	297,252
Travel and accommodation	**407**	**-**	**13,006**	21,103	-	318,730
Insurance	**622**	**-**	**154,999**	4,197	-	77,165
License fees	**5,000,000**	**-**	**-**	5,936,841	-	-
Office	**31,827**	**-**	**361,967**	31,162	-	149,788
Consultants	**84,626**	**1,413,118**	**-**	178,223	1,296,884	-
Regulatory	**151,073**	**-**	**262,557**	95,418	-	76,333
Rent	**56,221**	**-**	**223,776**	-	-	19,483
Supplies	**23,475**	**-**	**-**	162,603	-	27,495
Total	**$ 7,205,674**	**$ 1,413,118**	**$ 3,607,346**	$ 9,555,345	$ 1,296,884	$ 5,490,928

(Stated in United States dollars)

18. Capital risk management

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

19. Loss per share

	For the three months ended Septebmer 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Numerator				
Net loss for the period	**$ 4,979,975**	$ 2,845,679	**$ 12,738,582**	$ 16,927,016
Denominator				
Weighted average shares - basic	**550,541,878**	108,038,398	**291,314,002**	105,711,459
Warrants	**-**	-	**-**	-
Stock options	**-**	-	**-**	-
Denominator for diluted loss per share	**550,541,878**	108,038,398	**291,314,002**	105,711,459
Loss per share - basic and diluted	**$ (0.01)**	$ (0.03)	**$ (0.04)**	$ (0.16)

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.

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 September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Salaries and benefits, including bonuses	**$ 281,868**	$ 251,737	**$ 624,604**	$ 887,635
Stock-based compensation	**15,445**	100,002	**393,470**	1,744,327
Total	**$ 297,313**	$ 351,739	**$ 1,018,074**	$ 2,631,962

21. 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 three and nine months ended September 30, 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.