ZYUS LIFE SCIENCES CORPORATION

(FORMERLY PHOENIX CANADA OIL COMPANY LIMITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(AMENDED)

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

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TRADING SYMBOL: TSX-V: ZYUS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating and financial performance of ZYUS Life Sciences Corporation as reported in its condensed consolidated interim financial statements (unaudited) for the three and six months ended June 30, 2023 with the corresponding period of 2022 (the "Financial Statements"), as amended, has been prepared as of November 29, 2023. This discussion is the responsibility of Management and has been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. This discussion should be read in conjunction with the Company's Financial Statements and notes thereto (unaudited) and the ZYUS Life Sciences Inc.'s audited consolidated financial statements and notes thereto for the year ended December 31, 2022. The Board of Directors has approved the disclosure presented herein. All amounts referred to in this discussion are expressed in thousands of Canadian dollars, except where otherwise indicated. Per share amounts are expressed in Canadian dollars per share of ZYUS.

References to "ZYUS", the "Company", "we", "us", "our" or similar terms refer to ZYUS Life Sciences Corporation. and its direct and indirect subsidiaries as at June 30, 2023.

Readers should be aware that:

- This MD&A contains certain "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") that are subject to risk factors set out in a cautionary note contained in our MD&A.
- This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to US issuers.
- We use a number of non-IFRS financial performance measures in our MD&A.
- The technical and scientific information in this MD&A has been approved by qualified persons based on a variety of assumptions and estimates.

For a discussion of each of the above matters, readers are urged to review the "Notes to Reader" discussion within this MD&A.

OVERVIEW

ZYUS Life Sciences Corporation (TSX-V: ZYUS), formerly Phoenix Canada Oil Limited ("Phoenix") is a company domiciled in Canada that was incorporated under The Business Corporations Act (Ontario) (the "OBCA") on November 25, 1944. ZYUS Life Sciences Corporation is a life sciences company focused on the global development and commercialization of cannabinoid-based drug product candidates. In contrast to many of our cannabis sector competitors, our strategy is to focus exclusively on patients, rather than adult recreational users, by investing in scientific research, developing science-based, regulatory approved cannabinoid drug products and delivering consistently high quality, cGMP/EU GMP-compliant therapeutic products to the global medical market.

ZYUS Life Sciences Inc., a wholly-owned subsidiary of ZYUS Life Sciences Corporation, was incorporated as CB3 Life Sciences Ltd. on April 3, 2018; on January 3, 2019, we changed our name to ZYUS Life Sciences Inc. We are led by our founder, President, Chief Executive Officer and Corporate Secretary, Brent Zettl, and other industry experienced professionals, extraction specialists, lab personnel and Ph.D. scientists who apply their knowledge to delivering what we believe will be industry-leading cannabis oils and derivative products on a global scale. We do not engage in any cannabis-related practices or activities in the United States as required to be disclosed pursuant to the Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities.

On November 15, 2022, ZYUS Life Sciences Inc. and Phoenix entered into an agreement (the "Arrangement Agreement"), providing for a business combination of the two entities by way of a plan of arrangement (the Arrangement), in accordance with Section 186.1 of The Business Corporations Act (Saskatchewan) (the

"SBCA"). Phoenix was incorporated under the OBCA. The resulting issuer has continued under the OBCA and exists as an OBCA corporation.

The Arrangement Agreement provided for Phoenix to acquire all of the outstanding common shares of ZYUS Life Sciences Inc. by issuing each ZYUS Life Sciences Inc. shareholder 0.704440586 (the "Exchange Ratio") Phoenix common shares for each ZYUS Life Sciences Inc. common share they held. The completion of the Arrangement resulted in a reverse takeover of Phoenix, as defined in the policies of the TSX Venture Exchange.

The Arrangement Agreement contemplated passage of a special resolution to amend the articles of incorporation (the "Articles of Amendment") of Phoenix to change the name of the Corporation from "Phoenix Canada Oil Company Limited" to "ZYUS Life Sciences Corporation". On June 9, 2023, ZYUS Life Sciences Inc. became a wholly owned subsidiary of ZYUS Life Sciences Corporation in conjunction with a Reverse Takeover with Phoenix (the "RTO").

The business combination resulting from the Arrangement Agreement has been accounted for as a reverse acquisition of Phoenix by ZYUS Life Sciences Inc. The condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2023 comprise ZYUS Life Sciences Corporation and its subsidiaries (collectively, the "Company" or "ZYUS").

The Company's wholly owned subsidiary, ZYUS Life Sciences Inc., is a licensed producer and distributor of medical cannabis under the Cannabis Act (Canada), receiving its processing license from Health Canada in December 2019 and medical sales license in December 2020, which allowed the company to commence direct sales to patients in Canada in late 2020. Both the standard processing and sales licenses were renewed for another five years late in 2022. ZYUS Life Sciences Inc. also holds an analytical license (issued February 4, 2020) and two research licenses (issued February 6, 2020, amended May 18, 2022 and February 9, 2021, amended April 7, 2022).

The Company's head office is 407 Downey Road, Unit 204, Saskatoon, SK., Canada, S7N 4L8; its registered office is 3400-22 Adelaide Street W, Toronto, Ontario, Canada, M5H 4E3.

FUTURE OPERATIONS AND LIQUIDITY

The Company is an early development-stage company with limited operating history and negative historical cash flow from operating activities. Furthermore, the Company has significant purchase commitments. As at June 30, 2023, the Company had incurred an accumulated deficit of $111.5 million and has net current assets (current assets less current liabilities) of $5.8 million. The Company had $18.4 million of Cash and Short-term investments (December 31, 2022: $0.2 million) as at June 30, 2023 and intends to raise additional capital in the future to fund research, development and corporate activities.

As a part of its plan to fund its continued operations and development activities, in addition to planned revenues from its product sales, ZYUS Life Sciences Inc. and Phoenix completed the previously announced Arrangement by way of an RTO on June 9, 2023. As a result of the RTO, ZYUS Life Sciences Inc. is now a wholly-owned subsidiary of Phoenix, which has changed its name to ZYUS Life Sciences Corporation ("New ZYUS" and or the "Resulting Issuer"). As a result of the RTO, all convertible debt principal and accrued interest relating to the convertible debt was converted into shares of ZYUS Life Sciences Inc. and subsequently exchanged into shares of the Resulting Issuer in accordance with the Exchange Ratio contemplated in the Arrangement Agreement. Concurrent with the RTO, the Company organized and completed a private placement of subscription receipts for gross proceeds of $20.1 million.

Despite the additional financing received, the Company will require additional financing in the future to fund planned research and operating activities. The ability of the Company to continue as a going concern depends on the Company maintaining its licenses with Health Canada, the continued support of its lenders, its ability to achieve profitable operations and its ability to raise additional financing to fund current and future operating and investing activities. There is no assurance that the Company will be able to accomplish any of

(in thousands of CDN dollars, except as otherwise noted) Page 3

the foregoing objectives or at an acceptable cost. As a result of these factors, a material uncertainty exists that may cast significant doubt as to the Company's ability to continue as a going concern.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements and information. Please refer to the "Forward-Looking Statements and Information" included in the "Notes to Reader" section at the end of this MD&A.

FINANCIAL PERFORMANCE MEASURES

This MD&A refers to certain measures to assist in assessing financial performance. These "Non-GAAP Measures" such as EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) or other comparable measures determined in accordance with IFRS as an indicator of performance or as a measure of liquidity and cash flow. Non-GAAP measures do not have standard meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Definitions of each measure used are provided in the "Non-GAAP Measures" section included in the "Notes to Reader" section at the end of this MD&A.

ADDITIONAL INFORMATION

Additional information related to the Company, including its Joint Information Circular, is available on the Canadian Securities Administrators' filing system website at: www.sedarplus.ca. Certain documents are also available on the Company's website at: www.zyus.com.

INTERIM MD&A - SECOND QUARTER 2023 HIGHLIGHTS

Three months ended June 30,		**2023**		2022
Financial Data				
Sales	**$**	**77**	$	73
Cost of sales	**$**	**27**	$	24
Finance costs	**$**	**1,655**	$	1,255
Derivative loss (gain)	**$**	**646**	$	271
Loss before income tax	**$**	**(9,253)**	$	(5,854)
Net Loss	**$**	**(9,232)**	$	(5,835)
EBITDA [(1)]	**$**	**(6,996)**		(3,542)
Adjusted EBITDA [(1)]	**$**	**(4,098)**	$	(2,185)

Six months ended June 30,		**2023**		2022
Financial Data				
Sales	**$**	**155**	$	139
Cost of sales	**$**	**54**	$	47
Finance costs	**$**	**3,264**	$	2,329
Derivative loss (gain)	**$**	**1,115**	$	(537)
Loss before income tax	**$**	**(13,950)**	$	(11,331)
Net Loss	**$**	**(13,913)**	$	(11,291)
EBITDA [(1)]	**$**	**(9,155)**		(6,820)
Adjusted EBITDA [(1)]	**$**	**(5,434)**	$	(5,520)

(1) EBITDA and Adjusted EBITDA are a non-IFRS measures with no standard definition under IFRS. See description and reconciliation of non-IFRS measures in the Non-IFRS Financial Measures and Reconciliations section of this MD&A.

CORPORATE DEVELOPMENTS

Completion of Subscription Receipt Financing

On June 9, 2023, Phoenix Canada Oil Company Limited (TSX-V: PCO) ("Phoenix") and ZYUS Life Sciences Inc. ("ZYUS"), a then private Canadian life sciences company, announced that ZYUS Life Sciences Inc. had closed on June 5, 2023 the previously announced Subscription Receipt financing for aggregate gross proceeds of approximately $20.1 million by issuing 12,581,332 Subscription Receipts at $1.60 per Subscription Receipt (the "Offering Price"). Upon the satisfaction of certain escrow release conditions customary for this type of transaction (the "Escrow Release Conditions"), each Subscription Receipt, pursuant to its terms and pursuant to the Arrangement (as defined below), resulted in the holder thereof being issued, for no additional consideration and without any further action by its holder, 0.704440586 of a common share of Phoenix. The gross proceeds of the Offering (less the Agents' commissions, advisory fees and expenses) were held in escrow by TSX Trust Company (the "Escrow Agent") and invested pursuant to the terms of a subscription receipt agreement.

Completion of Reverse Takeover Transaction

On June 9, 2023, ZYUS Life Sciences Inc. and Phoenix Canada Oil Company Limited completed the previously announced Arrangement, resulting in a ZYUS Life Sciences Inc.'s RTO of Phoenix. As a result, ZYUS Life Sciences Inc. became a wholly-owned subsidiary of Phoenix, which changed its name to ZYUS Life Sciences Corporation ("New ZYUS" and or the "Resulting Issuer"). As a result of the RTO, all convertible debt principal and accrued interest relating to ZYUS Life Sciences Inc.'s convertible debt was converted into shares of ZYUS Life Sciences Inc. and subsequently exchanged into shares of the Company in accordance with the Exchange Ratio contemplated in the Arrangement Agreement. As noted above, concurrent with the RTO, ZYUS Life Sciences Inc. organized and completed a private placement of subscription receipts for gross proceeds of $20.1 million.

RECENT HIGHLIGHTS

Distribution of Holdback Shares

On July 31, 2019, ZYUS acquired all issued and outstanding shares of Revon Systems, Inc. ("Revon"), a Kentucky-based healthcare technology company. Additional contingent consideration of 95,271 ZYUS Life Sciences Inc. common shares (the "ZYUS Holdback Shares") were issued on the fourth anniversary of the transaction. The ZYUS Holdback shares were subject to the RTO Exchange ratio; as such 68,083 Common Shares of ZYUS Life Sciences Corporation (the "Resulting Issuer Holdback Shares") were issued to the former shareholders of Revon.

CORPORATE STRATEGY, GOALS AND OPERATIONS

We are an early-stage company and our principal operating activities since inception have been focused on licensing and regulatory approval, construction of our production facility, developing our quality assurance and quality control programs and research and development.

Since the inception of our wholly owned subsidiary, ZYUS Life Sciences Inc., we have primarily been engaged in research activities to develop our drug product candidates, intellectual property activities to protect our novel formulations and start-up activities in preparation to launch and grow our exempt market business operations nationally and internationally. We have conducted extensive research on our drug product candidates and used this research to develop the Company's patent portfolio and support clinical trial activities. During our relatively short existence, we have conducted in excess of 55 non-clinical and pre-clinical studies on safety, toxicity and efficacy of ZYUS' drug product candidates in relevant animal models and completed a Phase I clinical trial for our lead product candidate. Our clinical research has investigated the effect of major and minor cannabinoids on regulating the effect cannabinoids have on the human body, particularly single and combined cannabinoids treatments, thereby improving both the quality and duration of the lives of patients who suffer from chronic pain. Concurrent with our research activities, we have developed exempt market therapeutics in the form of oils, softgels and topical creams, which are currently

available to patients in Canada. Our goal is to continuously refine and augment our formulations in order to continually enhance our product offerings.

In order to bring our exempt market therapeutics and product candidates to market, we have built a highly advanced production facility in Saskatoon, Saskatchewan which is cGMP and EU GMP compliant. This facility is utilized to manufacture the cannabinoid formulations used in our drug product candidates, which are then used for research and clinical trial activities, and produce our first-generation exempt market products for the Canadian market. Our production facility has a designed capacity of two million 50mL bottle equivalents of oil per year and a topical production room capable of producing five million 50g tubes per year. We received EU GMP certification respecting one of our exempt market products on March 2, 2022. We are working toward securing EU GMP certification for additional exempt market formulations, which would facilitate international distribution of certified formulations in jurisdictions accepting EU GMP manufactured medical cannabinoid products, provided we receive requisite sales authorizations for each of those specific international markets. ZYUS only plans to distribute its exempt market therapeutics in markets that have legalized medical cannabis and has no plans to distribute its exempt market therapeutics in the United States unless or until cannabis is de-criminalized by the federal government or the company receives FDA approval of its drug candidate product(s) as an approved drug.

We believe that our business has attractive growth prospects due to unmet medical needs and several industry trends and indicators:

- a growing global market and acceptance of medical cannabis, resulting from increased global legalization;
- an aging global population, rising drug costs and increased opioid drug use which has led to an opioid epidemic. These factors support increased demand for additional and novel therapeutics, which we believe will include exempt market cannabinoid therapeutics and regulatory approved drug product candidates on the basis that they are potential high-benefit, low impact treatment alternatives;
- increased medical community acceptance as a result of increased medical research and scientific data;
- improved production and extraction techniques. Methods of production and extraction have advanced significantly in the cannabis industry in recent years, with oil and oil-derived products, including softgel capsules and topical creams, rapidly replacing use of dry cannabis for therapeutic purposes in Canada. We believe provision of cannabinoid formulations using a form of administration that is familiar to patients and healthcare practitioners will further reduce the stigma associated with use of cannabinoids for medical purposes, improve patient outcomes by providing a more precise method of dosing and, thereby increase adoption rates by healthcare practitioners and patients; and,
- the pharmaceutical industry's research activity in this area and recent interest in the acquisition of life sciences companies engaged in research and development of cannabinoid-based therapeutics.

FINANCIAL RESULTS OF OPERATIONS

Sales

The Company's Revenue is derived from exempt market sales in Canada, which commenced in 2020. Sales of $0.08 million for the three months ended June 30, 2023 were comparative period over period. Year to date, exempt market sales were $0.2 million (YTD Q2 2022 - $0.1 million). Year to date, this variance is attributable to an increased number of active patients and higher number of exempt market sales.

Cost of Sales

Cost of sales of $0.03 million for the three months ended June 30, 2023 and of $0.05 million for the six months ended June 30, 2023 were relatively unchanged period of period (June 30, 2022 - $0.02 million; YTD Q2 2022 - $0.05 million).

Operating Expenses

Our operating expenses consist of five primary categories: general and administrative, research and development, depreciation and amortization, share-based compensation and medical education, branding and marketing. We anticipate our operating expenses will increase in the future as we advance our business into international commercial production and sales, and continue to progress our research and development efforts, including initiating preclinical and clinical trials. We also expect to see an increase of expenses related to marketing, branding and our patient outreach and education programs, as well as expenses associated with maintaining effective internal controls and regulatory compliance.

General and Administrative Expense

General and administrative expenses consist primarily of salaries and benefits, insurance, business development and professional service fees. Other general and administrative expenses include consulting fees and professional service fees for auditing, tax and legal services, rent expenses related to our offices, depreciation and other costs. We expect our general and administrative expenses to continue to increase in the future as we expand our operating activities and prepare for commercial sales of our oils and derivative products internationally, increase our headcount and support our operations as a public company, including increased expenses related to legal, accounting, regulatory and tax-related services associated with maintaining compliance with listed company requirements, directors and officers liability insurance premiums and investor relations activities.

General and administrative expense for the three months ended June 30, 2023 was $3.9 million (Q2 2022 - $2.3 million). Year to date, General and administrative expense was $5.6 million (YTD Q2 2022 - $4.7 million). This variance is attributable to decreased compensation costs offset by increased facility costs and professional fees.

Research and Development

Our research and development activities are both upstream and downstream in nature. Our upstream research is focused on the discovery and development of proprietary cannabis strains to establish a portfolio of exempt market therapeutics and product candidates. We also seek to participate in collaborative research and development programs and efforts with academia and other strategic partners. Our downstream research and development relate to preclinical and clinical trial activities. We are focused on both the discovery and development of exempt market therapeutics and drug product candidates. We have initiated preclinical studies and are planning to initiate additional preclinical and clinical trials to support this effort.

Research and development costs are expensed as incurred and consist primarily of:

- salaries, benefits and other related costs for personnel engaged in research and development functions;
- expenses incurred in connection with the preparation and execution of our preclinical and clinical trials of our drug product candidates, including under agreements with third parties, such as consultants, and contractors;
- laboratory costs, including lab equipment and consumables;
- leased facility costs, equipment depreciation and other expenses; and
- intellectual property costs incurred in connection with the application and maintenance of patent and other intellectual property.

The majority of our research and development costs are expected to consist of external costs, which we track on a program-by-program basis.

Research and development expense includes clinical trial expenses, salary and benefits, laboratory facility expenses and other expenses. For the three months ended June 30, 2023, Research and development expense was $0.3 million (Q2 2022 - $0.7 million), net of scientific research and development tax credits. Year to date, Research and development expense was $0.6 million (YTD Q2 2022 - $1.8 million). Period over period and year over year, the decrease in this expense is largely attributable to decreased clinical trial expenditures as the Company nears completion of its Phase I clinical trial.

We anticipate a significant increase in research and development expenditures related to our upstream preclinical and clinical programs in the future.

Depreciation and Amortization

Depreciation and amortization expenses relate to the allocation of our property, plant and equipment and intangible assets over their respective useful lives.

For the three months ended June 30, 2023, Depreciation and amortization expense was $0.6 million (Q2 2022 - $1.1 million), a decrease of 45 percent period over period. Year to date, Depreciation and amortization expense was $1.5 million (YTD Q2 2022 - $2.2 million). Period over period and year to date, these decreases are attributable to variances in the asset base subject to depreciation and amortization.

Share-based Compensation

The Company has established an omnibus equity compensation plan (the "Omnibus Plan") under which common share purchase options may be granted to directors, officers and key employees. The Omnibus Plan is a "rolling" plan whereby the maximum number of Common Shares that may be reserved for issue pursuant to the Omnibus Plan cannot exceed 10 percent of the Company's issued Common Shares at the time of the award grant. Vesting terms of options granted under the Company's Omnibus Plan vary on a grant-by-grant basis, at the discretion of the Company's Board of Directors.

No grants of stock options or other share-based compensation were made during the first half of the current and prior years. For the three months ended June 30, 2023, Share-based compensation expense of $0.01 million (Q2 2022 - $0.4 million) and year-to-date, Share-based compensation expense was $0.03 million (YTD Q2 2022 - $0.1 million). The variance for the quarter and year to date is attributable to the timing of stock option grants and the scheduling of the corresponding expense according to the vesting terms of the respective option agreements.

Medical education, branding and marketing

Medical education, branding and marketing expenses consist of external consulting fees related to brand development and internal expenses related to the build out of our marketing, and patient outreach and education team. We expect an increase in the future in branding and marketing expenses as we further establish our corporate and product branding and marketing and sales engagement activities, including building out our medical outreach and service teams.

For the three months ended June 30, 2023, Medical education, branding and marketing expenses of $0.1 million (Q2 2022 - $0.2 million) were comparable period over period. Year to date, Medical, branding and marketing expenses of $0.1 million, a $0.3 million decrease year over year (YTD Q2 2022 - $0.4 million). Year over year, this decrease is attributable to decreased salaries and initiatives versus the comparative prior period.

Listing expense

The Arrangement Agreement pursuant to the RTO constituted a reverse business acquisition and has been accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based payment, as

(in thousands of CDN dollars, except as otherwise noted) Page 8

Phoenix did not meet the definition of a business, as defined in IFRS 3, Business Combinations, with ZYUS Life Sciences Inc. as the accounting acquiror (legal subsidiary). Accordingly, Phoenix's shareholders' equity balances at June 30, 2023, have been eliminated in the condensed consolidated interim statement of financial position.

The fair value of the consideration provided by ZYUS Life Sciences Inc. was determined as follows:

- In accordance with IFRS 2, an assessment of the more reliable measure of fair value (between Phoenix and ZYUS Life Sciences Inc.) was completed. Due to the nominal number of trades of Phoenix shares during the period of January 1, 2023 to June 9, 2023, it was determined that the Subscription Receipt Private Placement price of $1.60 per share was considered to be the more reliable measure of fair value.
- The fair value of the consideration paid to Phoenix shareholders (the "Deemed Consideration"), and to settle a pre-existing contractual arrangement (see below) was been determined to be $10.4 million and is recognized in the share capital balance of the condensed consolidated statement of financial position. From this amount, settlement of the Phoenix Units subscribed of $1.8 million was deducted from the consideration paid for net consideration of $8.6 million. As the transaction was determined to be in the scope of IFRS 2, the difference of $2.0 million between the net assets of Phoenix and the fair value of the consideration paid to Phoenix shareholders has been recorded as a Listing expense, as presented on the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss of ZYUS as at June 30, 2023.

Lising Expense

Number of pre-exchange shares to acquire Phoenix [(1)]		**6,507,711**
Deemed equity Issuance	$	10,412
Settlement of PCO Unit [(2)]		(1,767)
	$	8,645
Consideration		
Cash and cash equivalents	$	4,931
Short-term investments		1,810
Other receivables		37
Interest in oil and gas properties		-
Accounts payable		(91)
Net Assets Acquired	$	6,687
Listing expense [(1)]	$	1,958

(1) Listing expense has been calculated from the perspective of ZYUS Life Sciences Inc., in accordance with IFRS 2. Number of Pre-exchange shares to acquire ZYUS Life Sciences Inc. represent ZYUS Life Sciences Inc. shares priced at $1.60 per share.

(2) During the period ended September 30, 2022, ZYUS Life Sciences Inc. and Phoenix entered into a pre-existing contractual relationship whereby Phoenix subscribed for 17 units of ZYUS Life Sciences Inc.'s unit offering, with each unit consisting of one secured convertible promissory note in the principal amount of $0.1 million and 40,000 pre-exchange common share purchase warrants. Upon closing of the Arrangement Agreement, these promissory notes pursuant to the Unit Offering (recorded as a Promissory Note receivable by Phoenix and Loan and borrowing by ZYUS Life Sciences Inc.) and accrued interest thereon (recorded as a receivable by Phoenix and an accrued payable by ZYUS Life Sciences Inc.) were settled upon consolidation of Phoenix and ZYUS Life Sciences Inc. In addition, the associated derivative liability attributable to the Phoenix promissory note pursuant to the Unit Offering has been derecognized. On settlement, a gain of $0.1 million relating to the pre-existing contractual relationship was recorded. As a result, Phoenix's promissory notes receivable pursuant to the Unit Offering and interest receivable have been eliminated; in

addition, ZYUS Life Sciences Inc.'s Promissory Note payable and accrued interest payable has been eliminated.

Investment and other Income

For the three months ended June 30, 2023, Investment and other income was $0.06 million was comparable period over period (Q2 2022 - $0.05 million). Year to date, Investment and other income was $0.4 million (YTD Q2 2022 - $0.06 million). Year to date, this variance is attributable to a gain recorded in respect of a below market rate loan secured by the Company and a gain associated with a change in market value with respect to certain Short-term investments.

Finance Costs

Finance costs consist of banks charges, interest expense and accretion in relation to the Company's debt financings. For the three months ended June 30, 2023, Finance costs were $1.7 million (Q2 2022 - $1.3 million). Year to date, Finance costs were $3.3 million (YTD Q2 2022 - $2.3 million). Period over period and year over year, this increase is largely attributable to increased interest expense in relation to the Company's additional debt financings completed during 2022.

Derivative loss (gain)

On the condensed consolidated statements of financial position (unaudited), there was a derivative liability in relating to the conversion rights on certain debt instruments; this liability and varied in respect of the value attributable to the embedded derivative liability relating to a conversion to equity option contained within the Company's convertible debentures and convertible promissory notes. For the three months ended June 30, 2023, derivative loss was $0.6 million (Q2 2022 - $0.3 million). Year to date, Derivative loss was $1.1 million (YTD Q2 2022 - $0.5 million gain).

On June 9, 2023, all of the Company's convertible debentures and convertible promissory notes, and accrued interest thereon, were converted to common shares of ZYUS. This conversion has resulted in the extinguishment of the Derivative liability as at June 30, 2023.

Deferred Income Tax (Expense) Recovery

For the three months and six months ended June 30, 2023, Deferred tax recovery was substantially unchanged versus the comparative periods of the prior year.

Net Loss

For the three months ended June 30, 2023, net loss of $9.2 million ($0.20 per share) was $3.4 million higher than net loss of $5.8 million ($0.15 per share) for the same period in 2022. Year to date, net loss of $13.9 million ($0.33 per share) was $2.6 million higher than the net loss of $11.3 million ($0.29 per share) for the first six months of 2022. Period over period and year over year, net loss was impacted by higher General and administrative, finance and derivative costs; in addition, as a result of the RTO, a listing expense of $1.9 million was recorded. These amounts were offset by lower Medical education, branding and marketing expenditures.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At June 30, 2023, Cash and cash equivalents were $16.5 million (December 31, 2022 - $0.2 million); in addition, at June 30, 2022 there were $1.8 million of Short-term Investments. At June 30, 2023, net current assets was $5.8 million (December 31, 2022 – working capital deficit of $8.0 million).

(in thousands of CDN dollars, except as otherwise noted) Page 10

Six months ended June 30,		**2023**		2022
Cash flows from (used in):				
Operations	**$**	**(6,591)**	$	(5,656)
Investing activities		**4,867**		(201)
Financing activities		**18,023**		5,335
Increase (decrease) in cash		**16,299**		(522)
Cash, beginning of year	**$**	**212**	$	750
Cash and cash equivalents, end of period	**$**	**16,511**	$	228

Operating Activities

Operating cash flow, equity financings and debt financings have been the Company's primary source of liquidity. During the first half of 2023, the Company's cash flows used in operations was $6.6 million (YTD Q2 2022 - $5.7 million used in operations). From time to time, the Company enhances its liquidity and supplements operating cash flow through a combination of equity issuances and debt financing. The principal use of operating cash flow is to fund the Company's operating and capital expenditures at its production facilities; general and administrative costs; and debt service payments.

Investing Activities

Net cash provided by investing activities during the half of 2023 was $4.9 million (YTD Q2 2022 - $0.2 million used in investing activities), consisting of additions to property, plant and equipment and the acquisition of Phoenix net of cash and cash equivalents.

Financing Activities

Cash of $18.0 million was provided by the Company's financing activities during the first half of 2023 (YTD Q2 2022 - $5.3 million). Proceeds of $2.8 million from the issuance of loans and borrowings and of $18.4 million from the issuance of ZYUS Life Sciences Inc. common shares (which were subsequently converted into shares of ZYUS Life Sciences Corporation pursuant to the Exchange Ratio in the RTO) were offset by $3.2 million of debt repayment (YTD Q2 2022 – proceeds from the issuance of loans and borrowings of $5.3 million).

Liquidity

The Company's objective is to have sufficient liquidity to meet its liabilities when due. In addition to its sales, the Company has relied on financings to fund its activities. The Company monitors its cash balances and cash flows generated from operations and financing activities to meet its requirements. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital.

The Company monitors its liquidity on a continuous basis to ensure there is sufficient capital to meet business requirements and to provide adequate returns to shareholders and benefits to other stakeholders. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may, where necessary, control the amount of working capital, pursue financing and manage the timing of its capital and research and development expenditures. In addition, the Company may utilize a combination of short-term and long-term debt and or equity to finance its operations, research and development.

(in thousands of CDN dollars, except as otherwise noted) Page 11

Schedule of Capital Structure of the Company		**JUN 30, 2023**		DEC 31, 2022
Debt	**$**	**8,480**	$	31,682
Shareholders' equity	**$**	**50,384**	$	4,741
		58,864		36,423
Debt to equity		**0.14**		6.68

Financial and Other Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The Company has various financial instruments comprised of cash and cash equivalents, receivables, short-term investments, accounts payable and accrued liabilities, and short- and long-term debt. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of those instruments. In addition, the Company's Loans and Borrowings approximate their carrying value as there has been no material change in the Company's credit risk since the issuance of these instruments. Short-term and long-term investments are based on quoted market prices (Level 1).

Fair value measurements of the derivative liabilities is as follows:

		Fair value measurement using		
June 30, 2023	Carrying Amount	Level 1	Level 2	Level 3
Recurring measurements:				
Short-term investments	$1,840	$1,840	-	-
Financial liabilities				
Derivative liabilities	$nil	-	-	$nil

On June 9, 2023, the Arrangement pursuant to the RTO with Phoenix triggered the automatic conversion provisions of the ZYUS Life Sciences Inc. Convertible Debenture Notes, Convertible Promissory Notes (2021, 2022 Issuances) and Convertible Promissory Notes (2022, 2023 Issuances). As a result of these conversions, derivative liabilities relating to the ZYUS Life Sciences Inc. convertible debt were revalued and retired.

		Fair value measurement using		
December 31, 2022	Carrying Amount	Level 1	Level 2	Level 3
Recurring measurements:				
Financial liabilities				
Derivative liabilities	$3,976	-	-	$3,976

There were no transfers between Levels 1, 2 and 3 inputs during the three-month period ended June 30, 2023.

Key Sensitivities

Earnings from the Company's consolidated operations are sensitive to fluctuations in both commodity and currency prices. Currency risk arises as a result of the Company's investment in its foreign subsidiaries. Management believes this risk is reduced by the fact that these subsidiaries operate in an economically stable foreign countries and results of these operations, with the exception of ZYUS Life Sciences Australia Pty

(in thousands of CDN dollars, except as otherwise noted) Page 12

Ltd (which has historically had large Research and development expenditures) are not material. The Company's exposure to foreign currency changes is considered to be not material.

Contractual Obligations

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows, incurring debt and or the issuance of share capital. At June 30, 2023, the Company had cash and cash equivalents and marketable securities totaling $18.4 million. During the three months ended June 30, 2023, all convertible debentures and convertible promissory notes, and accrued interest thereon, were converted in equity of the Company due to the RTO qualifying as a triggering event under those instruments.

During the year ended December 31, 2020, the Company entered into a five-year supply agreement for dried cannabis raw material. Under the terms of the supply agreement, which is subject to certain conditions and annual negotiation of price, a licensed producer will deliver minimum volumes of dried bulk cannabis. Over the remaining term of the agreement, the Company conditionally has purchase commitments of up to 23,000 kgs.

STATEMENTS OF FINANCIAL POSITION

Highlights

Select Statement of Financial Position Data				
		June 30, 2023		December 31, 2022
Total assets	**$**	**80,497**	$	64,712
Current liabilities	**$**	**18,452**	$	14,268
Non-current liabilities	**$**	**11,661**	$	45,703

Assets

ZYUS's asset base primarily consists of Cash and cash equivalents, Short-term investments, Inventories, Prepaid expenses and other assets, Property, plant and equipment, Right-of-use lease assets, Intangible assets and goodwill. Total assets increased by $15.8 million during the first half of 2023 primarily attributable to and increase of $18.1 million in Cash and Short-term investments (associated with completion of the RTO and concurrent financing), offset by decreases of $1.2 million to Property, plant and equipment (largely attributable to depreciation) and $0.8 million to Intangible assets (associated with amortization and by foreign exchange differences attributable to certain U.S. intangible assets).

Liabilities

Current liabilities were $18.5 million at June 30, 2023, an increase of $4.2 million from December 31, 2022. The increase is attributable to the reclassification of certain loans and borrowings to current (due to maturity dates within the next 12 months), offset by decreased Accounts payable and accrued liabilities.

Non-current liabilities were $11.7 million at June 30, 2023, a decrease of $34.0 million from December 31, 2022. This variance is attributable to a $30.0 million decrease in loans and borrowings. This decrease is attributable to the conversion of certain loans and borrowings to common shares of the Company due to a triggering event in respect of the RTO and due to the extinguishment of Derivative liabilities relating to that convertible debt. In addition, as noted above, the reclassification of certain loans and borrowings to current (due to maturity dates within the next 12 months) contributed to the decrease noted.

(in thousands of CDN dollars, except as otherwise noted) Page 13

Shareholders' Equity

Shareholders' equity increased by $45.6 million to $50.4 million at June 30, 2023, from $4.7 million at December 31, 2022. This variance is mainly attributable to an increase in Share capital of $58.2 million (due to the completion of the RTO which included a concurrent financing and conversion of convertible debt into common shares), offset by a Loss of $12.4 million (increasing the Deficit to $110.00 million).

SELECTED QUARTERLY FINANCIAL AND PRODUCTION DATA

	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021
Revenue	**77**	78	75	84	73	66	67	58
Cost of sales	**27**	27	28	26	24	23	21	23
Loss [(1)(2)]	**(9,232)**	(4,681)	(6,866)	(7,333)	(5,835)	(4,681)	(7,048)	(6,254)
Loss per share (basic and diluted) [(1)(2)]	**(0.20)**	(0.12)	(0.18)	(0.19)	(0.15)	(0.12)	(0.19)	(0.17)

(1) Loss per share for each quarter has been calculated based on the weighted average number of shares outstanding for the quarter. As such, quarterly amounts may not add to the annual total.

(2) All amounts presented for number of outstanding common shares and have been adjusted retrospectively for all periods presented to give effect to the Share Exchange pursuant to the RTO Transaction.

Trends

- Consistent exempt market sales that have increased slightly due to increased patients.
- Increase in Q2 2023 Loss largely attributable to Listing expense associated with completion of the RTO.

ACCOUNTING ESTIMATES

Certain of the Company's accounting policies require that Management make decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. ZYUS's significant accounting policies are contained in Note 4 to the consolidated financial statements.

Changes in Accounting Policies

For information on new standards and interpretations adopted during the year, refer to Note 5 of the unaudited Condensed Consolidated Interim Financial Statements.

New Standards and Interpretations Not Yet Adopted

For information on new standards and interpretations adopted during the year, refer to Note 5 of the unaudited Condensed Consolidated Interim Financial Statements.

Estimates and Judgements

For information on new standards and interpretations adopted during the year, refer to Note 6 of the unaudited Condensed Consolidated Interim Financial Statements.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors are described in detail in the Company's Joint Information Circular, available at www.sedarplus.ca, and remain substantially unchanged.

(in thousands of CDN dollars, except as otherwise noted) Page 14

COMMON SHARE DATA

The authorized share capital of the Company consists of common shares. The rights, privileges, restrictions and conditions attached to each series of shares are determined by the Board of Directors at the time of creation of such series. The common shares of the Company are entitled to vote at all meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive such assets of the Company as are distributable to the holders of the common shares. At June 30, 2023, the Company had 69,780,312 common shares issued and outstanding (December 31, 2022 – 38,533,356 [(1)]).

	Number of Common Shares
Balance – December 31, 2022 [(1)]	38,533,356
Deemed acquisition in RTO	5,314,103
Equity issue	8,862,768
Issue costs	-
Conversion of convertible debt	17,070,085
Balance – June 30, 2023	**69,780,312**

(1) All amounts presented for number of outstanding history common shares have been adjusted retrospectively for all periods presented to give effect to the Share Exchange pursuant to the RTO Transaction.

Subsequent to June 30, 2023, an additional 67,084 common shares (95,271 ZYUS pre-exchange common shares) were delivered to Revon shareholders on or about July 31, 2023. At August 29, 2023, the Company has 69,847,396 common shares outstanding.

STOCK OPTIONS AND WARRANTS

For further discussion of the Company's share-based payments, please refer to the Company's June 30, 2023 condensed consolidated interim financial statements and notes thereto (unaudited), available at www.sedarplus.ca.

Stock Options and Warrants

At June 30, 2023, there were 2.2 million common share stock options outstanding with exercise prices ranging from $1.42 to $8.09 per common share (June 30, 2022 - 2.5 million common share stock options outstanding with exercise prices ranging from $1.42 to $8.09 per common share).

At June 30, 2023, there were 3.9 million common share purchase warrants outstanding with exercise prices ranging from $2.27 to $3.55. These warrants have expiry dates ranging from February 23, 2024 to June 9, 2025 (June 30, 2022 – 2.8 million common share purchase warrants outstanding with expiry dates ranging from February 23, 2024 to December 30, 2024).

(1) All amounts presented for number of outstanding history common shares stock options and warrants have been adjusted retrospectively for all periods presented to give effect to the Exchange Ratio pursuant to the RTO.

NON-IFRS FINANCIAL PERFORMANCE MEASURES AND RECONCILIATIONS

The Company utilizes non-IFRS financial measures as supplemental indicators of operating performance and financial position. These non-IFRS financial measures are used internally by the Company for comparing actual results from one period to another. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

(in thousands of CDN dollars, except as otherwise noted) Page 15

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA

The Company uses EBITDA and Adjusted EBITDA as a supplemental financial measure of its operational performance. Management believes EBITDA to be an important measure of its capacity to generate cash flow from operations as it excludes the effects of items which primarily reflect the impact of long-term investment and decisions and finance strategies, rather than the performance of the Company's day-to-day operations. The Company measures EBITDA as net earnings (loss) plus income taxes expense (recovery), interest expense and depreciation and amortization. Adjusted EBITDA removes non-recurring expenditures (including transaction costs due to corporate development activity, impairment charges and write-off of assets) and non-cash expenses such as loss on derivative instruments, share-based compensation and non-cash expenses within cost of sales. Also removed are research and development costs.

The Company believes that these measurements are useful in measuring the Company's ability to service debt, meet other payment obligations and in comparing the Company's financial performance from period to period. Furthermore, Management believes that certain investors and other stakeholders use this information to evaluate the Company's performance. The following table provides a reconciliation of the Company's calculation of EBITDA and Adjusted EBITDA:

Calculation of EBITDA and Adjusted EBITDA				
Three months ended June 30,		**2023**		2022
Net loss	**$**	**(9,232)**	$	(5,835)
Deferred income tax recovery		**(21)**		(19)
Finance costs		**1,655**		1,225
Depreciation and amortization		**602**		1,087
EBITDA	**$**	**(6,996)**	$	(3,542)
Listing expense		**1,958**		-
Share-based compensation		**12**		(1)
Loss (gain) on derivative instruments		**646**		271
Research and development		**282**		1,087
Adjusted EBITDA	**$**	**(4,098)**	$	(2,185)

Calculation of EBITDA and Adjusted EBITDA				
Six months ended June 30,		**2023**		2022
Net loss	**$**	**(13,913)**	$	(11,291)
Deferred income tax recovery		**(37)**		(40)
Finance costs		**3,264**		2,329
Depreciation and amortization		**1,531**		2,182
EBITDA	**$**	**(9,155)**	$	(6,820)
Listing expense		**1,958**		-
Share-based compensation		**30**		81
Loss (gain) on derivative instruments		**1,115**		(537)
Research and development		**618**		1,756
Adjusted EBITDA	**$**	**(5,434)**	$	(5,520)

Other Financial Measures

Capital management measures are defined as financial measures disclosed by an issuer that are intended to enable an individual to evaluate the entity's objectives, policies and processes for managing the entity's capital, are not a component of a line item or a line item on the primary financial statements, and which are disclosed in the notes to the financial statements. As of June 30, 2023, the Company's capital management measures include Working Capital (net current assets).

- Working capital is a capital management measure of the Company's ability to service its short-term financial obligations with short-term assets. Management believes this measure provides useful information about the Company's current short-term liquidity.

Calculation of Working Capital (Net Current Assets)				
		June 30, 2023		December 31, 2022
Current assets				
Cash	**$**	**16,511**	$	212
Short-term investments		**1,840**		-
Accounts receivable		**391**		243
Inventory		**4,064**		4,202
Prepaid expenses and other assets		**1,439**		1,609
Non-current assets				
Accounts payable and accrued liabilities		**(10,703)**		(13,038)
Loans and borrowings		**(7,401)**		(899)
Lease obligations		**(348)**		(331)
Working Capital	**$**	**5,793**	$	(8,002)

NOTES TO READER

Caution Regarding Forward-Looking Statements and Information

This discussion and analysis of our financial condition and results of operations should be read in conjunction with our annual audited consolidated financial statements and the notes thereto and our unaudited condensed consolidated interim financial statements and the notes thereto (unaudited). This discussion contains forward-looking statements that reflect risks and uncertainties, such as our plans, objectives, expectations, intentions, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this MD&A, including risk factors described in the Company's Joint Information Circular, available at www.sedarplus.ca, which you should carefully read. Financial information contained herein is expressed in thousands of Canadian dollars, except share and per share amounts, or as otherwise stated. Our annual audited consolidated financial statements and unaudited condensed consolidated interim financial statements were prepared in accordance with IFRS.

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States securities legislation (referred to herein as "forward-looking statements"). Forward-looking statements include, but are not limited to, statements with respect to the future market conditions, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of facility construction projects, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of cannabis and biopharmaceutical operations, environmental risks, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or the negative connotation thereof or variations of such words and phrases or state that certain actions, events or results, "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof.

All forward-looking statements are based on various assumptions, including, without limitation, the expectations and beliefs of management, the assumed price of the Company's products, that the Company will receive required permits and access to markets, that the Company can access financing, appropriate equipment and sufficient labour, and that the political environment within Canada will continue to support the medical marijuana industry in Canada.

The Company's overall performance and results of operations are subject to various risks and uncertainties which could cause actual performance, results and achievements to differ materially from those expressed or implied by forward-looking statements, including, without limitation, the following factors, some of which, as well as other factors, are discussed in the Company's Joint Information Circular available under the Company's profile on www.sedarplus.ca, which risk factors should be reviewed in detail by all readers:

- our business segments are heavily regulated in Canada and internationally;
- the regulatory regime is evolving and uncertainty exists regarding the impact of the regime on the Company;
- the inability to successfully complete clinical trials or obtain regulatory approval of products;
- contractual rights, foreign exchange restrictions, currency fluctuations and tax increases;
- the potential inability to obtain or retain licenses required to grow, store, sell and conduct research using cannabis;
- potential involvement in regulatory or agency proceedings, investigations, and audits;
- compliance with evolving environmental, health and safety laws;
- potential government policy changes or shifts in public opinion;
- the cannabis industry and market is subject to general business risks, and those associated with regulated consumer products;
- competitive conditions, consumer tastes, patient requirements and spending patterns remain relatively unknown;
- there are no assurances that the medical cannabis industry and market will continue to exist or grow as anticipated;
- future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to, medical cannabis;
- the inability to retain and attract employees and key personnel;
- potential for delays in obtaining regulatory approvals;
- potential increases in material and labour costs;
- we have incurred losses since inception and may continue to incur losses in the future;
- the potential to experience difficulty developing new products, protecting intellectual property and remaining competitive;
- the completion and commercial viability of new products in the research and development stage;
- reliance on third-party manufacturers, contract research organizations and distributors;
- there can be no assurances of profit generation or immediate results;
- shareholder dilution pursuant to additional financings;
- compliance with laws relating to privacy, data protection, and consumer protection;
- potential for information systems security threats;
- we are reliant on key suppliers and skilled labour;
- inability to effectively implement quality control systems;
- there is a potential for conflicts of interest to arise among our key stakeholders;
- exposure to product recalls, liability claims, regulatory action and litigation based on products;
- we may be unable to protect intellectual property and receive regulatory approval of our products in relevant markets;
- the market price for our shares may be volatile and subject to wide fluctuations;
- outside factors may harm our reputation;
- securities analysts may publish negative coverage;

For a discussion of the risks faced by the Company, please refer to the Company's Joint Information Circular, available at www.sedarplus.ca.

Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Forward-looking statements in this MD&A are made as of the date of this MD&A and, accordingly, are subject to change after such date. Except as otherwise indicated by ZYUS, these statements do not reflect the potential impact of any non-recurring or other special items that may occur after the date hereof. Forward-looking statements are provided to give information to readers about Management's current expectations and plans and to allow investors and others to get a better understanding of our operating environment.

Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information. Accordingly, you should not place undue reliance on forward-looking information. We do not assume any obligation to update or revise any forward-looking information after the date of this MD&A or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.