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ZYUS LIFE SCIENCES CORPORATION

(FORMERLY PHOENIX CANADA OIL COMPANY LIMITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS **FOR THE SIX-MONTH PERIODS ENDED** **JUNE 30, 2024 AND 2023**

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TRADING SYMBOL: TSX-V: ZYUS

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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-month periods ended June 30, 2024 with the corresponding period of 2023 (the "Financial Statements") has been prepared as of August 28, 2024. This discussion is the responsibility of Management and should be read in conjunction with the Company's Q2 2024 Financial Statements and notes thereto (unaudited) for the period ended June 30, 2024. 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. The Board of Directors has approved the disclosure presented herein.

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, 2024.

This MD&A provides additional information on our business, current developments, financial condition, cash flows, and results of operations. It is organized as follows:

1. **Part 1 – Business Overview.** This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and future trends.
2. **Part 2 – Results of Operations.** This section provides an analysis of operations for the three and six-months ended June 30, 2024 and 2023.
3. **Part 3 – Liquidity, Financial Resources, and Capital Structure.** This section provides an analysis of our cash flow and outstanding debt and commitments, inclusive of the amount of financial capacity available to fund our ongoing operations and future commitments.
4. **Part 4 – Statements of Financial Position.** This section provides an analysis of our assets, liabilities, and shareholders' equity as at June 30, 2024 and December 31, 2023.
5. **Part 5 – Material Accounting Policies and Estimates.** This section identifies those accounting policies that are considered important to our results of operations and financial condition and require significant management estimates.
6. **Part 6 – Additional Corporate Information.** This section provides information on the Company's common share data and dilutive securities, business risks and uncertainties, Non-IFRS capital management measures and reconciliations, additional information and additional notes to the reader of this MD&A.

Readers should be aware that:

- This MD&A contains certain "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information"). Please refer to the "Forward-Looking Statements and Information" included in the "Notes to Reader" section at the end of this 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.
- This MD&A refers to certain measures to assist in assessing financial performance. These "Non-GAAP Measures" such as Working Capital (Net Current Assets) 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.
- 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.

PART 1 – BUSINESS OVERVIEW

Part 1 – Business Overview is presented and current as at the date of this MD&A.

Background

ZYUS Life Sciences Corporation (TSX-V: ZYUS), formerly Phoenix Canada Oil Company Limited (“Phoenix”), is a company domiciled in Canada that was incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”) on November 25, 1944. We are a life sciences company focused on the global development and commercialization of regulated cannabinoid-based drug 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.

On June 9, 2023, ZYUS Life Sciences Inc., a private corporation, completed a reverse take over of Phoenix by way of a plan of arrangement (the “Arrangement”). In connection with the Arrangement, the Company acquired all of the common shares of ZYUS Life Sciences Inc. in accordance with the arrangement agreement. Following the Arrangement, Phoenix was renamed “ZYUS Life Sciences Corporation” and ZYUS Life Sciences Inc. became a wholly-owned subsidiary of the Company. As a result of the Arrangement, the condensed consolidated interim financial statements are a continuation of the financial statements of ZYUS Life Sciences Inc. As such, the comparative figures prior to the Arrangement Agreement represent those of ZYUS Life Sciences Inc.

ZYUS Life Sciences Inc. (“ZYUS Inc.”) is the Company’s wholly owned subsidiary and was incorporated under the *Business Corporations Act* (Saskatchewan) on April 3, 2018.

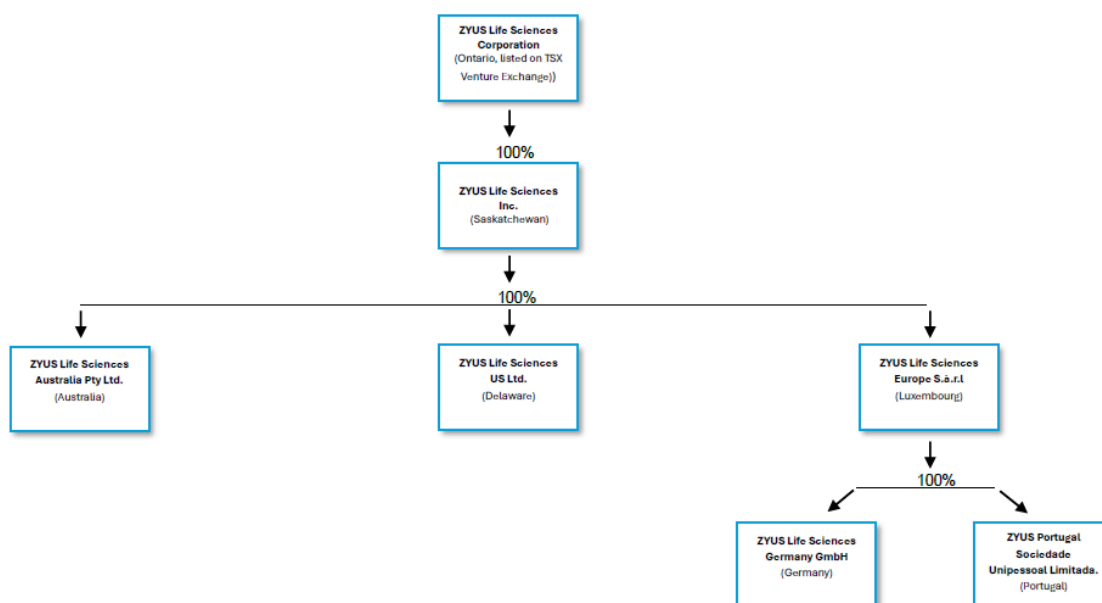
ZYUS Inc., is a licensed producer and distributor of medical cannabis under the *Cannabis Act* (Canada), receiving its first processing license from Health Canada in December 2019, first medical sales license in December 2020, first analytical license in February 2020 and its two research licenses in February 2020 (subsequently amended May 18, 2022) and February 2021 (subsequently amended April 7, 2022), respectively. The standard processing and sales licenses allowed ZYUS Inc. to commence direct sales to patients in Canada in the last quarter of 2020 and were renewed for an additional five-year term late in 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.

Intercompany Relationships

As of the date of this MD&A, ZYUS currently has five wholly owned subsidiaries ⁽¹⁾ as described in the table below:

⁽¹⁾ ZYUS formerly held a wholly owned Australian subsidiary, ZYUS S.H. Bio Manufacturing Pty Ltd., which had not engaged in any operations and was dissolved in January 2024.



Corporate Strategy and Goals

Our strategy is to take a science-based approach in the development of our products and focus exclusively on patients, rather than adult recreational users, by investing in scientific research, developing science-based, regulatory approved proprietary cannabinoid drug products and delivering consistently high quality, cGMP/EU GMP-compliant therapeutic products.

To execute on our vision, the principal elements of our strategy are:

- Implementation of a science-based approach to investigate the therapeutic potential of cannabinoids.
- Development of novel, proprietary drug candidates through execution of pre-clinical, non-clinical, and clinical research.
- Pursuit of intellectual property protection of drug candidates.
- Regulatory approval of our proprietary drug candidates by authorities such as the U.S. Food and Drug Administration (“FDA”), European Medicines Agency (“EMA”), and Health Canada and commercialization of these proprietary therapeutics as drug products approved for use in treatment of specific diseases and indications.
- Commercialization of our non-proprietary foundational products through Canadian and international exempt medical cannabis markets.
- Development of distribution networks to facilitate access to key international markets for our non-proprietary foundational products, thereby establishing market presence in advance of regulatory approval and commercialization of our proprietary drug candidates.
- Use of scientific evidence to educate the medical community and patients for the purpose of accelerating acceptance of cannabinoid-based therapeutics and expanding the addressable market for our non-proprietary foundational products and regulatory approved proprietary drug candidates.

We intend to implement these strategic elements by focusing on two core areas:

- Development, protection and regulatory approval of proprietary drug candidates from authorities such as the FDA, EMA and Health Canada; and
- Immediate commercialization of the Company’s non-proprietary foundational products, such as cannabinoid oils, softgel capsules and topical creams, in Canada and those international markets where medical cannabis is legal.

ZYUS' first priority is to develop and seek FDA approval of its novel, proprietary drug candidates, with its lead research program targeting pain management. However, the ability to immediately commercialize exempt market therapeutics provides ZYUS with the unique opportunity to generate early revenues, develop a network of doctors prescribing cannabinoid-based products and utilize the Company's pharmaceutical grade manufacturing facility, thereby preparing for commercialization of ZYUS' drug candidates immediately following regulatory approval.

Since the inception of our wholly-owned subsidiary, ZYUS Life Sciences Inc., we have primarily been engaged in research activities to develop our proprietary drug candidates, intellectual property activities to protect our novel formulations and start-up activities in preparation to launch and grow our non-proprietary foundational product business operations nationally and internationally.

In order to manufacture our proprietary drug candidates for use in clinical trials and bring our drug candidates and non-proprietary foundational products to market, we have built a highly advanced, pharmaceutical grade production facility in Saskatoon, Saskatchewan which is cGMP and EU GMP compliant. This facility was utilized to manufacture our lead drug candidate for use in our first in human Phase 1 clinical trial respecting our lead drug candidate, Trichomylin® softgel capsules (the "Trichomylin® Phase 1 Trial") and will be used to manufacture the Trichomylin® softgel capsules required for all future clinical trials. We also use this facility to manufacture our non-proprietary foundational products for the exempt medical market and received EU GMP certification respecting one of these foundational products on March 2, 2022.

Research and Scientific Overview

ZYUS has conducted extensive research on its proprietary drug candidates and used this research to develop its patent portfolio and support clinical trial activities. ZYUS' lead research program is focused on developing a highly purified cannabinoid formulation to treat chronic pain due to cancer, musculoskeletal injuries and arthritis.

We have conducted numerous non-clinical and pre-clinical studies on safety, toxicity and efficacy of ZYUS' drug candidates and investigated the influence major and minor cannabinoids have on modulating the physiological effect of cannabinoids, particularly single and combined cannabinoid treatments, in relevant animal models. Our pre- and non-clinical studies provide the foundation for clinical investigations of our drug candidates in humans.

ZYUS' lead/first drug product candidate in this program, Trichomylin® softgel capsules, is a fixed dose combination of cannabinoids formulated for treatment of chronic pain in adults. This formulation offers oral administration of highly purified cannabinoids in a controlled dosage that the company believes would be valuable for the treatment of patients who do not have an optimal response to stronger FDA approved medications, such as pregabalin, gabapentin, antidepressants (SSRIs/SNRIs) or opioids without experiencing the side effects of these drugs.

In parallel with the research conducted respecting Trichomylin® softgel capsules, ZYUS has also identified and commenced research on a second drug candidate. This drug candidate is a cannabinoid-based therapeutic composition for pain management which is comprised of a primary cannabinoid and an excipient and, optionally, one or more secondary cannabinoids in an amount of up to five percent by weight of the primary cannabinoid. The formulation is essentially free of tetrahydrocannabinol. Both pre-clinical and non-clinical studies have been conducted on this formulation and patent applications have been filed to protect intellectual property.

Select Strategic Relationships

The Company has established a clinical research advisory committee, the purpose of which is to provide ZYUS with strategic guidance on development and commercialization of ZYUS' drug candidates and bring additional medical, scientific, and clinical expertise to its experienced leadership team.

ZYUS has also developed strong relationships with highly respected international contract research organizations for the purposes of conducting research activities, giving ZYUS access to a broad range of laboratory support services and enabled the Company to complete research using three different animal species and gain a deeper understanding of the safety and toxicity profiles of the cannabinoids used in the Trichomylin® softgel capsule, thereby reducing the risk associated with entering Phase 1 clinical trials. To support its upcoming Phase 2 clinical trial, ZYUS selected Calian Group Ltd., a leading, full-service Canadian contract research organization with over 20 years of experience in clinical trial execution.

Intellectual Property and Patents

Fundamental to the success of ZYUS' business is its ability to secure, maintain and enforce patent and other proprietary protection for its core technologies, inventions, and know-how. In addition to holding four issued software patents in the U.S., ZYUS has leveraged its pre-clinical, non-clinical, and clinical research and developed an intellectual property portfolio containing multiple patent families related to fixed-dose cannabinoid-based formulations for the treatment of pain and a variety of other clinically unmet needs. ZYUS' intellectual property portfolio related to cannabinoid formulations and treatments currently contains seven issued patents, eleven nonprovisional patent applications that have been filed internationally, four continuation-in-part applications filed in the United States and one provisional patent application.

ZYUS has received patents respecting the formulation used in its lead drug candidate, Trichomylin® softgel capsules, in Canada, the United States, South Africa, Israel, Australia, Korea, and India, with additional patent applications pending in the United States, the European Union, and Hong Kong and a continuation in part application pending in the United States. ZYUS has also advanced patent applications respecting its second drug candidate to National Entry phase in all of the previously noted jurisdictions, advanced patent applications respecting its third drug candidate to National Entry phase in Canada and the United States, received four U.S. patents respecting its proprietary software platform, has filed a U.S. divisional patent application respecting its software platform and advanced its patent application respecting cannabinoid and software applications supported opioid tapering to National Entry phase in Canada and Australia.

Medical Cannabis and Exempt Market Overview

While development and commercialization of regulatory approved drugs is ZYUS' priority, the ability to immediately commercialize our non-proprietary foundational products through the exempt medical market provides ZYUS with the unique opportunity generate early stage cash flow to support its research activities, utilize the Company's pharmaceutical grade manufacturing facility, build a network of doctors who prescribe cannabinoid-based products, and develop international market presence and brand recognition in advance of regulatory approval and commercialization of ZYUS' drug candidates.

Corporate Developments

Receipt of Cannabis Drug License from Health Canada

On June 4, 2024, ZYUS announced that its wholly owned subsidiary, ZYUS Life Sciences Inc., received a Cannabis Drug License issued pursuant to the *Cannabis Act (Canada)* and *Cannabis Regulations*. This license pertains specifically to its processing facility located in Saskatoon, Saskatchewan, which is dedicated to the manufacture of pharmaceutical-grade formulations. Issuance of the Cannabis Drug License compliments ZYUS' existing standard processing, research, analytical and medical sales licenses and expands the scope of the Company's license portfolio by enabling ZYUS to manufacture and distribute drugs containing cannabinoids for Health Canada-approved clinical trials in Canada.

Issuance of US Patent patent no. 11963943 covering Trichomylin® softgel capsules

On April 23, 2024, Patent Application No. US 17/162,903 issued in the United States as patent no. 11963943. The invention described in this issued patent pertains to a cannabinoid formulation for pain management and covers ZYUS' first drug product candidate, Trichomylin® softgel capsules.

Allowance of Patent Application No. 20801549.5 in the European Community

ZYUS' European Community regional phase entry filed on December 3, 2021 as Patent Application No. 20801549.5 was allowed (with claims comparable in scope to those of the International Application as filed) and is pending grant. This application is in connection with the cannabinoid therapeutic patent "FORMULATION FOR PAIN MANAGEMENT" International PCT patent application PCT/CA2020/050588 and covers the formulation used in ZYUS' Trichomylin® softgel capsules.

Grant of Patent Application 2022/12127 in South Africa

ZYUS' South African national phase entry filed on November 7, 2022 as Patent Application No. 2022/12127 respecting the Company's second drug candidate was granted on April 24, 2024 with amended claims. This application is in connection with the cannabinoid therapeutic patent "CANNABICHROMENE FORMULATIONS FOR PAIN MANAGEMENT" International PCT/CA2021/050430 and covers ZYUS second drug candidate. The claims granted are narrower in scope than those of the International Application as filed, with the scope of the South African application limiting (a) use in pain management by subjects in need of an analgesic effect without sedative effect; (b) the amount of cannabidiol present in the formulation to an amount ranging from 0% to 15% by weight of cannabichromene; and, (c) areas of treatment to pain due to neuropathic pain, cancer, chemotherapy, inflammation, diabetes, diabetic neuropathy, post-shingles neuralgia, peripheral neuropathy, multiple sclerosis, injury, accident, surgery, tissue damage, arthritis, joint pain, pain from infections, or gastrointestinal-derived pain. This patent will expire on March 31, 2041.

Recent Highlights

Receipt of No Objection Letter from Health Canada for Proof-of-Concept Trial

On July 30, 2024, the Company announced that its wholly owned subsidiary, ZYUS Life Sciences Inc., has received a No Objection Letter ("NOL") from Health Canada for a proof-of-concept ("POC") trial respecting its lead drug candidate, Trichomylin® softgel capsules. The NOL signifies Health Canada's agreement that the safety information collected thus far regarding Trichomylin® softgel capsules supports progressing into a patient population. The POC trial aims to, among other things, assess the preliminary efficacy and feasibility of Trichomylin® softgel capsules in patients with advanced cancer and moderate to severe cancer-related pain and derisk ZYUS' previously announced Phase 2 clinical trial.

Closing of Private Placement

On August 26, 2024, the Company announced the closing of a non-brokered private placement (the "Private Placement") of 3,510,345 units (each a "Unit") at a price of \$0.95 per Unit for aggregate gross proceeds of \$3.3 million. Each Unit consists of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), whereby each Warrant entitles the holder to acquire one Common Share at a price of \$1.30 for a period of twenty-four months from the date of issuance.

Insiders of the Company, who are independent directors, purchased 842,103 Units pursuant to the Private Placement for gross proceeds of \$0.8 million (the "Insider Participation"). The Insider Participation constitutes a "related party transaction" as defined under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Corporation has relied on exemptions from the formal valuation and minority shareholder approval requirements provided under section 5.5(b) and 5.7(1)(b) of MI 61-101 because the Corporation is not listed on a stock exchange specified in section 5.5(b) of MI 61-101 and neither the fair market value of securities being issued to insiders nor the consideration being paid by insiders exceed \$2,500,000. The Company did not file a material change report at least 21 days prior to the closing of the Private Placement as participation of the insiders had not been confirmed at that time.

No finders fees were paid in connection with the Private Placement. Proceeds of the Private Placement will be used for general corporate and working capital purposes, with \$2.5 million of the gross proceeds being

used to repay debt owing to the Company's President and CEO, Brent Zettl and 102042227 Saskatchewan Ltd., an entity owned and controlled by Mr. Zettl.

PART 2 - RESULTS OF OPERATIONS

The following table outline select data relating to the Company's Results of operations for the three and six month periods ended June 30, 2024 and 2023.

<i>Three months ended June 30,</i>	2024	2023
Financial Data		
Sales	\$ 118	\$ 77
Cost of sales	\$ 50	\$ 27
General and administrative	\$ 2,996	\$ 3,920
Research and development	\$ 575	\$ 282
Depreciation and amortization	\$ 727	\$ 602
Share-based compensation	\$ 181	\$ 12
Medical education, branding and marketing	\$ 60	\$ 81
Finance costs	\$ 224	\$ 1,655
Derivative loss (gain)	\$ -	\$ 646
Loss before income tax	\$ (4,829)	\$ (9,253)
Net loss	\$ (4,812)	\$ (9,232)

<i>Six months ended June 30,</i>	2024	2023
Financial Data		
Sales	\$ 232	\$ 155
Cost of sales	\$ 100	\$ 54
General and administrative	\$ 5,018	\$ 5,584
Research and development	\$ 870	\$ 618
Depreciation and amortization	\$ 1,448	\$ 1,531
Share-based compensation	\$ 225	\$ 30
Medical education, branding and marketing	\$ 137	\$ 137
Finance costs	\$ 469	\$ 3,264
Derivative loss (gain)	\$ -	\$ 1,115
Loss before income tax	\$ (8,184)	\$ (13,950)
Net loss	\$ (8,150)	\$ (13,913)

Sales

The Company's revenue is derived from exempt market sales in Canada. For the three and six months ended June 30, 2024, exempt market sales of \$0.1 million and \$0.2 million, respectively, were comparable period over period and year over year.

Cost of Sales

For the three and six months ended June 30, 2024 cost of sales of \$0.05 million and \$0.1 million were comparable period over period (Q2 2023 - \$0.03 million; YTD Q2 2023 - \$0.05 million), reflecting a slight increase in sales volume.

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. Other categories, depending on the underlying

circumstances of the year, may include provision for inventory impairment, asset impairment and or provision for intangible impairment. 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, professional service fees, consulting fees, rent expenses related to our offices 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 expenses were \$3.0 million for the three months ended June 30, 2024 (Q2 2023 - \$3.9 million). Year to date, General and administrative expenses were \$5.0 million (YTD Q2 2023 - \$5.6 million). Period over period and year over year, the decrease noted is largely attributable to decreased compensation costs, professional fees and insurance expense.

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 drug 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 costs relate to preclinical and clinical trial activities. We are focused on both the discovery and development of exempt market therapeutics and drug 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 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 patents 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, 2024, Research and development expense was \$0.6 million (Q2 2023 - \$0.3 million). Year to date, Research and development expense was \$0.9 million (YTD Q2 2023 - \$0.6 million). Period over period and year over year, the decrease in this expense is largely attributable to increased clinical trial expenditures associated with the Company Phase 2 clinical trial.

We anticipate a significant increase in research and development expenditures related to our upstream preclinical and clinical programs in the future as activities relating to the Company's Phase 2 clinical trial ramp up.

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, 2024, Depreciation and amortization expense was \$0.7 million (Q2 2023 - \$0.6 million), an increase of 20 percent period over period. Year to date, Depreciation and amortization expense was \$1.5 million (YTD Q2 2023 - \$1.5 million). Period over period and year over year, this balance is variable due to changes in the Company's asset base subject to depreciation and amortization as well as fewer capital purchases in 2024.

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.

For the three months ended June 30, 2024, Share-based compensation expense was \$0.2 million (Q2 2023 - \$0.01 million) and year-to-date, Share-based compensation expense was \$0.2 million (YTD Q2 2023 - \$0.03 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; stock options granted in 2023 were issued during the fourth quarter of 2023.

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, 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 and six-months ended June 30, 2024, Medical education, branding and marketing expenses were relatively unchanged versus the comparative periods of the prior year.

Investment and Other Income

For the three months ended June 30, 2024, Investment and other income was \$0.05 million (Q2 2023 - \$0.06 million). Year to date, Investment and other income was \$0.1 (YTD Q2 2023 - \$0.4 million). Year to date, this variance is largely attributable to a decrease in short-term investments in the current year and due to a gain recorded in the Q1 2023 in respect of receipt of insurance proceeds relating to raw material inventory that was damaged in 2022.

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, 2024, Finance costs were \$0.2 million (Q2 2023 - \$1.7 million). Year to date, Finance costs were \$0.5 million (YTD Q2 2023 - \$3.3 million). Period over period and year over year, this variance is largely attributable to the timing of interest expense in relation to the Company's debt financings and completion of the RTO during 2023 (in which convertible debt and accrued interest was converted into common shares of the Company); as such, interest associated with debt is lower in 2024.

Derivative loss

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, 2024, derivative loss was \$nil (Q2 2023 - \$0.6 million). Year to date, Derivative loss was \$nil (YTD Q2 2023 - \$1.1 million loss).

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 reclassification of the Derivative liability to Share capital during the second quarter of 2023.

Deferred Income Tax Recovery

For the three and six-months ended June 30, 2024, Deferred tax recovery was relatively unchanged versus the comparative periods of the prior year.

Net Loss

For the three months ended June 30, 2024, Net loss of \$4.8 million (\$0.07 per share) was \$4.4 million lower than Net loss of \$9.2 million (\$0.20 per share) for the corresponding period of 2023. Year to date, net loss of \$8.2 million (\$0.12 per share) was \$5.7 million lower than the net loss of \$13.9 million (\$0.33 per share) for the first six months of 2023. Period over period and year over year, this variance is largely attributable to interest and debt accretion costs associated with convertible debt that was outstanding in the first quarter of 2023. Upon completion of the RTO in the second quarter of 2023, the Company's convertible debt was converted into common shares of the Company (resulting in lower interest and debt accretion costs in subsequent periods).

Selected Quarterly Financial Data

	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022
Revenue	118	114	97	99	77	78	75	84
Cost of sales	50	50	45	46	27	27	28	26
Net loss ⁽¹⁾⁽²⁾	(4,812)	(3,338)	(24,485)	(4,193)	(9,232)	(4,836)	(6,866)	(7,333)
Net loss per share (basic and diluted) ⁽¹⁾⁽²⁾	(0.07)	(0.05)	(0.38)	(0.06)	(0.20)	(0.13)	(0.18)	(0.19)

⁽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

- Exempt market sales have increased slightly due to increased patients and higher oil sales.
- Increase in Q4 2023 Net loss attributable to: Higher General and Administrative costs in respect of certain provisions and an impairment of certain intangible assets.
- Increase in Q2 2023 Net loss attributable to: Listing expense and transaction costs associated with completion of the RTO; and increased Derivative loss.
- Decrease in Q1 2024 and Q3 2023 Net loss attributable to: lower Finance costs and lower Depreciation and amortization.

PART 3 - LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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 where there is material uncertainty with respect to the negotiations with the licensed producer of the supply agreement that may result in an increase in the liability recorded by the Company as at June 30, 2024. As at June 30, 2024, the Company had incurred an accumulated deficit of \$148.3 million and net current liabilities (current assets less current liabilities) were in a \$10.6 million deficit. The Company had \$0.8 million of Cash as at June 30, 2024 (December 31, 2023: \$5.9 million of Cash and Short-term investments) and intends to raise additional capital during 2024 to fund planned research and operating activities and to repay loans and borrowings.

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. 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.

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 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.

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.

Schedule of Capital Structure of the Company	June 30, 2024	December 31, 2023
Debt	\$ 7,261	\$ 6,786
Shareholders' equity	15,530	23,114
	\$ 22,791	\$ 29,900
Debt to equity	0.32	0.29

The Company's primary liquidity and capital requirements are for research and development, capital expenditures, inventory, working capital and general corporate purposes. At June 30, 2024, Cash was \$0.8 million (December 31, 2023 – Cash of \$4.0 million and Short-term investments of \$1.9 million). At June 30,

2024, net current assets (current assets less current liabilities, "Working Capital") was a \$10.6 million deficit (December 31, 2023 – Working Capital deficit of \$3.9 million). As such, the Company will require additional financing in the future to fund planned research and operating activities and to repay loans and borrowings. The Company's ability to fund operating expenses, including research and development, will depend on its future operating performance and its ability to raise capital which will be affected by general economic conditions, financial, regulatory and other factors, including factors beyond the Company's control.

(1) Working Capital is a non-IFRS measure with no standard definition under IFRS. See description and reconciliation of non-IFRS measures in the Capital Management Measures and Reconciliations section of this MD&A.

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including the level of trade receivables, accounts payable and accrued liabilities; (ii) investing activities, including the purchase of property plant and equipment; and (iii) financing activities, including debt financing and the issuance of common shares.

The following table provides information about the Company's cash flows during the six months ended June 30, 2024 and 2023.

<i>Six months ended June 30,</i>	2024	2023
Cash flows from (used in):		
Operations	\$ (3,081)	\$ (6,591)
Investing activities	(34)	4,867
Financing activities	(27)	18,023
Net increase (decrease) in cash	\$ (3,142)	\$ 16,299
Cash, beginning of year	\$ 3,978	\$ 212
Cash and cash equivalents, end of period	\$ 836	\$ 16,511

Operating Activities

Operating cash flow, equity financings and debt financings have been the Company's primary source of liquidity. During the six months ended June 30, 2024, the Company's cash outflows from operations were \$3.1 million (Q2 2023 - \$6.6 million). From time to time, the Company enhances its liquidity through a combination of equity issuances and debt financing. The principal use of net cash used in operations is to fund the Company's research and development activities; operating and capital expenditures at its production facilities; and general and administrative costs.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2024 was \$0.03 million (Q2 2023 - \$4.9 million provided by investing activities), consisting of additions to property, plant and equipment.

Financing Activities

Net cash of \$0.03 million was used in the Company's financing activities during the six months ended June 30, 2024. Activities included proceeds received from a Revolving debt facility, partial repayment of a term loan and cash lease payments. During the six months ended June 30, 2023, \$18.0 million was provided by financing activities, consisting 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.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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, 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, 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).

Financial instruments measured at fair value are as follows:

	Carrying Amount	Fair value measurement using		
		Level 1	Level 2	Level 3
June 30, 2024				
Recurring measurements:				
Short-term investments	\$nil	\$nil	-	-
	Carrying Amount	Fair value measurement using		
		Level 1	Level 2	Level 3
December 31, 2023				
Recurring measurements:				
Short-term investments	\$1,874	\$1,874	-	-

There were no transfers between Levels 1, 2 and 3 inputs during the three-month period ended June 30, 2024.

Liquidity Risk

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, 2024, the Company had Cash of \$0.8 million (December 31, 2023 – Cash and Short-term Investments of \$5.9 million).

Contractual Obligations

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.

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 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.

PART 4 - STATEMENTS OF FINANCIAL POSITION

Highlights

Select Statement of Financial Position Data			
	June 30, 2024		December 31, 2023
Total assets	\$ 35,787	\$	41,627
Current liabilities	\$ 15,063	\$	13,244
Non-current liabilities	\$ 5,194	\$	5,269

Assets

ZYUS's asset base primarily consists of Cash, Inventories, Prepaid expenses and other assets, Property, plant and equipment, Right-of-use lease assets, Intangible assets and goodwill. Total assets decreased by \$5.8 million during 2024, primarily attributable to decreases of \$3.1 million of Cash, \$1.9 million of Short-term investments, \$0.4 million of Prepaid expenses and other assets and \$1.2 million of Property, Plant and equipment (attributable to depreciation offset by asset additions). These were offset by increases of \$0.5 million to Accounts receivable and \$0.4 million to Intangible assets (reflecting the foreign exchange impact of US based intangibles).

Liabilities

Current liabilities were \$15.1 million at June 30, 2024 (December 31, 2023 - \$13.2 million). This variance is largely attributable to an increase of \$1.4 million of Accounts payable and accrued liabilities attributable to the timing of receipt and payment of trade payables and an increase of \$0.4 million to loans and borrowings attributable to draws being made on the Company's Revolver facility. Non-current liabilities of \$5.2 million at June 30, 2024 were comparable to non-current liabilities of \$5.3 million at December 31, 2023.

Subsequent to June 30, 2024, additional drawdown notices totaling \$0.3 million were delivered to the Revolver Lender. In addition, after closing of the Private Placement, the Company elected to settle \$0.5 million of the Revolving Loan Agreement and \$2.0 million of the Promissory Note Agreement with the Company's CEO.

Shareholders' Equity

Shareholders' equity decreased by \$7.6 million to \$15.5 million at June 30, 2024, from \$23.1 million at December 31, 2023. This variance is mainly attributable to a Net loss of \$8.2 million (increasing the Deficit to \$148.3 million) offset slight increases in Contributed surplus and Accumulated other comprehensive income.

PART 5 – MATERIAL ACCOUNTING POLICIES AND 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 material accounting policies are contained in Note 4 to the Financial Statements.

Changes in Accounting Policies

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

Estimates and Judgements

For information on accounting estimates, assumptions and judgements, refer to Note 6 of the Financial Statements.

PART 6 – ADDITIONAL CORPORATE INFORMATION

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, 2024, the Company had 70,847,396 common shares issued and outstanding (December 31, 2023 - 70,847,396 common shares issued and outstanding).

Subsequent to June 30, 2024, pursuant to a unit offering, closing of a non-brokered private placement (the "Private Placement") of 3,510,345 units (each a "Unit") at a price of \$0.95 per Unit for aggregate gross proceeds of \$3.3 million. Each Unit consists of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), whereby each Warrant entitles the holder to acquire one Common Share at a price of \$1.30 for a period of twenty-four months from the date of issuance. At August 28, 2024, the Company had 74,357,741 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, 2024 condensed consolidated interim financial statements and notes thereto (unaudited), available at www.sedarplus.ca.

At June 30, 2024, there were 3.9 million common share stock options outstanding with exercise prices ranging from \$1.08 to \$8.09 per common share (December 31, 2023 ⁽¹⁾ - 3.8 million common share stock options outstanding with exercise prices ranging from \$1.42 to \$8.09 per common share).

At June 30, 2024, there were 2.6 million common share purchase warrants outstanding with exercise prices ranging from \$2.27 to \$3.55. These warrants have expiry dates ranging from July 14, 2024 to September 29, 2025 (December 31, 2023 ⁽¹⁾ - 3.9 million common share purchase warrants outstanding with expiry dates ranging from February 23, 2024 to September 29, 2025).

- (1) All amounts presented for the number of outstanding historical 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.

Business Risks and Uncertainties

ZYUS is exposed to business risks and uncertainties relating to the Medical Cannabis Industry and the Company's:

- Operations;
- Development of its drug candidates (and related regulatory approval);
- Intellectual property;
- Dependence on third parties; and
- Common shares.

Business risks and uncertainties related to the factors noted above are described in detail in the Company's December 31, 2023 Annual Management Discussion and Analysis, available on www.sedarplus.ca, and remain substantially unchanged.

Capital Management 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, 2024, the Company's capital management measures include Working Capital (net current assets (liabilities)). 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, 2024	December 31, 2023
Current assets			
Cash	\$	836	\$ 3,978
Short-term investments		-	1,874
Accounts receivable		1,096	627
Inventory		2,047	2,042
Prepaid expenses and other assets		468	867
Non-current assets			
Accounts payable and accrued liabilities		(8,045)	(6,691)
Loans and borrowings		(6,575)	(6,149)
Lease obligations		(443)	(404)
Working Capital Deficit	\$	(10,616)	\$ (3,856)

Additional Information

Additional information related to the Company 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.

Notes To Reader

Caution Regarding Forward-Looking Statements and Information

This MD&A 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, 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 securities legislation (referred to herein as “forward-looking statements”). Such forward-looking statements and information include, but are not limited to, statements or information with respect to: the Company’s future business and strategies; requirements for additional capital and future financing; research and development plans; future capital expenditures and other expenses for specific operations; intellectual property protection; industry demand; ability to obtain employees, consultants or advisors with specialized skills and knowledge; incurrence of costs; competitive conditions; general economic conditions; future market conditions; the timing and amount of estimated future production; costs and timing of facility construction projects; licensing and permitting timelines; general operations including those relating to sales and distributions, production facilities, research and development and clinical trials, currency exchange rate fluctuations; government regulation of cannabis and biopharmaceutical operations; environmental risks; title disputes or claims and limitations on insurance coverage; the continuation of the Company as a going concern; payment of dividends; the Company’s expectations regarding net losses and revenue generation; the Company’s expectations regarding ongoing disputes or legal proceedings. 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”, “predicts”, “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. Forward-looking statements are based on estimates and assumptions made by the Company in light of management’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances.

Many factors could cause the Company’s actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. The purpose of the forward-looking statements is to provide readers with a description of management’s expectations regarding, among other things, the Company’s financial performance and research and development plans and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements.

Furthermore, unless otherwise stated, the forward-looking statements are made as of the date of this MD&A, and the Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. New factors emerge from time to time, and it is not possible for the Company to predict which factors may arise. In addition, the Company cannot assess the impact of each factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

With respect to forward-looking statements, assumptions have been made regarding, among other aspects:

- the Company's future research and development plans and plans with respect to clinical trials proceeding substantially as currently envisioned;
- patents and intellectual property, including, but not limited to, the Company's (a) ability to procure, defend, and/or enforce its intellectual property relating to the Company's drugs, drug formulations, drug candidates, and associated uses, methods, and/or processes, and (b) freedom to operate;
- future expenditures to be incurred by the Company;
- research and development and operating costs;
- general business and current global economic conditions;
- the impact of competition on the Company;
- the assumed price of the Company's products;
- the Company will receive required permits and access to markets;
- the Company can access financing, appropriate equipment and sufficient labour;
- the domestic and international political, legal and business environment will continue to support the medical cannabis industry; and
- the Company being able to obtain financing and funding as needed on acceptable terms.

Because the factors discussed in this MD&A could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by the Company, readers should not place undue reliance on any such forward-looking statements. These statements are subject to risks and uncertainties, known and unknown, which could cause actual results and developments to differ materially from those expressed or implied in such statements. Such risks and uncertainties relate, among other factors, include:

- the Company's 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, fast track 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 legal, 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;
- the Company has 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;
- the inability to manage growth and effectively expand the Company's business to other jurisdictions;
- shareholder dilution pursuant to additional financings;
- compliance with laws relating to privacy, data protection, and consumer protection;
- potential for information systems security threats;
- the Company is 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 the Company's key stakeholders;
- exposure to product recalls, liability claims, regulatory action and litigation based on products;
- the Company may be unable to protect intellectual property and receive regulatory approval of its products in relevant markets;
- the market price for the Company's shares may be volatile and subject to wide fluctuations;
- the Company's management having substantial discretion concerning the use of proceeds from future financings;
- the regulated nature of the business discouraging a takeover, reducing the market price of the Company's shares;
- the Company's ability to meet the listing standards of the TSXV, the significant financial reporting obligations of being a public company requiring significant Company resources and management attention;
- outside factors may harm the Company's reputation;
- securities analysts may publish negative coverage; and
- the Company's ability to obtain additional capital in the future to conduct operations, research and development activities and develop its products.

The Company's actual results could differ materially from those discussed in this MD&A. For a more detailed discussion of certain of these risk factors, see "*Business Risks and Uncertainties*" in our annual MD&A. The list of "*Business Risks and Uncertainties*" set out in our annual MD&A is not exhaustive of the factors that may affect any of our forward-looking information.

