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TSX-V: ZYUS

# Q2 2024

# Condensed Consolidated Interim Financial Statements (Unaudited)

## For the Six Months Ended June 30, 2024

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on August 28, 2024. They have not been reviewed by the Company's auditors.

Management of ZYUS Life Sciences Corporation is responsible for the preparation of the accompanying unaudited interim consolidated financial statements. These unaudited condensed consolidated interim financial statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events. Where necessary, management has made informed judgments and estimates in accounting for these assets and liabilities. The unaudited interim consolidated financial statements are considered by Management to present fairly the financial position, operating results and cash flows of the Company.

**Original signed by Brent Zettl**
President and Chief Executive Officer
August 28, 2024

**Original signed by John Hyshka**
Chief Financial Officer
August 28, 2024

**ZYUS LIFE SCIENCES CORPORATION**
**(Formerly Phoenix Canada Oil Company Limited)**
**Condensed Consolidated Interim Statements of Financial Position**
**(Unaudited - Expressed in thousands of Canadian dollars)**

| | Note | | June 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| 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 |
| | | | 4,447 | | 9,388 |
| Non-current assets | | | | | |
| Property, plant and equipment | | | 10,271 | | 11,481 |
| Right-of-use leased assets | | | 2,328 | | 2,413 |
| Intangible assets | | | 12,718 | | 12,322 |
| Goodwill | | | 5,871 | | 5,871 |
| Other assets | | | 152 | | 152 |
| **Total assets** | | $ | 35,787 | $ | 41,627 |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | $ | 8,045 | $ | 6,691 |
| Loans and borrowings | 7 | | 6,575 | | 6,149 |
| Lease obligations | | | 443 | | 404 |
| | | | 15,063 | | 13,244 |
| Non-current liabilities | | | | | |
| Lease obligations | | | 2,456 | | 2,616 |
| Loans and borrowings | 7 | | 686 | | 637 |
| Deferred tax liability | | | 2,052 | | 2,016 |
| Total liabilities | | | 20,257 | | 18,513 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 8 | | 154,088 | | 154,088 |
| Warrants | 9 | | 3,808 | | 3,808 |
| Contributed surplus | | | 5,618 | | 5,393 |
| Deficit | | | (148,337) | | (140,187) |
| Accumulated other comprehensive income | | | 353 | | 12 |
| Total shareholders' equity | | | 15,530 | | 23,114 |
| **Total liabilities and shareholders' equity** | | $ | 35,787 | $ | 41,627 |

| | |
|---|---|
| **Future operations and liquidity** | 1 |
| **Commitments and contingent liabilities** | 15 |
| **Related Party Transactions** | 16 |

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

On behalf of the Board:

Original signed by Brent Zettl, President & CEO
*Director*

Original signed by John Knowles, Audit Committee Chair
*Director*

Date: August 28, 2024

**ZYUS LIFE SCIENCES CORPORATION**
**(Formerly Phoenix Canada Oil Company Limited)**
**Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in thousands of Canadian dollars, except share data or as otherwise noted)**

| | Note | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 |
|---|---|---|---|---|---|
| Sales | | $ **118** | $ 77 | $ **232** | $ 155 |
| Cost of sales | | **50** | 27 | **100** | 54 |
| Inventory write-off | | **(4)** | (6) | **(10)** | (7) |
| **Gross profit** | | **64** | 44 | **122** | 94 |
| **Expenses** | | | | | |
| General and administrative | | **2,996** | 3,920 | **5,018** | 5,584 |
| Research and development | | **575** | 282 | **870** | 618 |
| Depreciation and amortization | | **727** | 602 | **1,448** | 1,531 |
| Share-based compensation | 11 | **181** | 12 | **225** | 30 |
| Medical education, branding and marketing | | **60** | 81 | **137** | 137 |
| Other expenses | | **177** | 182 | **261** | 225 |
| | | **4,716** | 5,079 | **7,959** | 8,125 |
| Loss from operations | | **(4,652)** | (5,035) | **(7,837)** | (8,031) |
| Listing expense | | **-** | 1,958 | **-** | 1,958 |
| Investment and other income | | **(50)** | (64) | **(139)** | (445) |
| Finance costs | 10 | **224** | 1,655 | **469** | 3,264 |
| Derivative loss (gain) | | **-** | 646 | **-** | 1,115 |
| Foreign exchange loss | | **3** | 23 | **17** | 27 |
| | | **177** | 4,218 | **347** | 5,919 |
| Loss before income tax | | **(4,829)** | (9,253) | **(8,184)** | (13,950) |
| Income tax: | | | | | |
| Deferred income tax recovery | | **17** | 21 | **34** | 37 |
| Net loss | | $ **(4,812)** | $ (9,232) | $ **(8,150)** | $ (13,913) |
| Other comprehensive gain (loss) | | **90** | (577) | **341** | (564) |
| Comprehensive loss | | $ **(4,722)** | $ (9,809) | $ **(7,809)** | $ (14,477) |
| Net loss per share: | | | | | |
| Basic and diluted | 12 | $ **(0.07)** | $ (0.20) | $ **(0.12)** | $ (0.33) |
| Weighted average number of shares: | | | | | |
| Basic and diluted | 12 | **70,847,396** | **45,744,192** | **70,847,396** | **42,158,693** |

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

**ZYUS LIFE SCIENCES CORPORATION**

**(Formerly Phoenix Canada Oil Company Limited)**

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

**(Unaudited - Expressed in thousands of Canadian dollars)**

| | *Note* | Share Capital | Warrants | Contributed Surplus | Deficit | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2023 | | $ 154,088 | $ 3,808 | $ 5,393 | $ (140,187) | $ 12 | $ 23,114 |
| Net loss | | - | - | - | (8,150) | - | (8,150) |
| Share-based compensation | 11 | - | - | 225 | - | - | 225 |
| Foreign currency translation gain | | - | - | - | - | 341 | 341 |
| **Balance at June 30, 2024** | | **$ 154,088** | **$ 3,808** | **$ 5,618** | **$ (148,337)** | **$ 353** | **$ 15,530** |
| Balance at December 31, 2022 | | $ 92,673 | $ 3,423 | $ 5,629 | $ (97,596) | $ 612 | $ 4,741 |
| Net loss | | - | - | - | (13,913) | - | (13,913) |
| Issuance of shares | | 20,130 | - | - | - | - | 20,130 |
| Conversion of convertible debt | | 31,235 | - | - | - | - | 31,235 |
| Share issue costs | | (2,072) | - | - | - | - | (2,072) |
| Deemed consideration pursuant to RTO Transaction | | 10,412 | - | 30 | - | - | 10,442 |
| Share-based compensation | | - | - | - | - | - | - |
| Issuance of warrants | | - | 385 | - | - | - | 385 |
| Foreign currency translation gain | | - | - | - | - | (564) | (564) |
| Balance at June 30, 2023 | | $ 152,378 | $ 3,808 | $ 5,659 | $ (111,509) | $ 48 | $ 50,384 |

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

**ZYUS LIFE SCIENCES CORPORATION**
**(Formerly Phoenix Canada Oil Company Limited)**
**Condensed Consolidated Interim Statements of Cash Flows**
**(Unaudited - Expressed in thousands of Canadian dollars)**

| | *Note* | | **Six Months Ended June 30, 2024** | | Six Months Ended June 30, 2023 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net loss | | **$** | **(8,150)** | $ | (13,913) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | | |
| Depreciation and amortization | | | **1,448** | | 1,531 |
| Inventory write-off | | | **10** | | 7 |
| Derivative loss | | | **-** | | 1,115 |
| Finance costs | 10 | | **469** | | 3,264 |
| Listing expense | 2 | | **-** | | 1,958 |
| Unrealized Foreign exchange gain (loss) | | | **(7)** | | 221 |
| Share-based compensation expense | | | **225** | | 30 |
| Deferred income tax recovery | | | **(34)** | | (37) |
| Other adjustment | | | **(252)** | | 233 |
| Changes in operating assets and liabilities: | | | | | |
| Short-term investments | | | **1,874** | | (30) |
| Accounts receivable | | | **(469)** | | (111) |
| Inventory | | | **(15)** | | 131 |
| Prepaid expenses and other assets | | | **399** | | 170 |
| Accounts payable and accrued liabilities | | | **1,421** | | (1,160) |
| Net cash used in operating activities | | | **(3,081)** | | (6,591) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | | **(34)** | | (54) |
| Acquisition of Phoenix Canada Oil Company Limited, net of cash & cash equivalents | | | **-** | | 4,921 |
| Net cash used in investing activities | | | **(34)** | | 4,867 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from convertible promissory notes, net | | | **-** | | 1,950 |
| Proceeds from 2023 promissory notes, net | | | **-** | | 500 |
| Proceeds from concurrent financing, net | 7 | | **-** | | 18,443 |
| Proceeds from revolver | 7 | | **400** | | 350 |
| Repayment of term loan | 7 | | **(85)** | | - |
| Repayment of shareholder loan | 7 | | **-** | | (2,000) |
| Repayment of revolver | 7 | | **-** | | (1,090) |
| Lease payments | | | **(342)** | | (130) |
| Net cash (used in) provided by financing activities | | | **(27)** | | 18,023 |
| Net (decrease) increase in cash | | | **(3,142)** | | 16,299 |
| Cash, beginning of year | | | **3,978** | | 212 |
| **Cash, end of period** | | **$** | **836** | $ | 16,511 |

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

# 1. General Information

ZYUS Life Sciences Corporation is a company domiciled in Canada that was incorporated under the Ontario Business Corporations Act on November 25, 1944.

On November 15, 2022, ZYUS Life Sciences Inc. and Phoenix Canada Oil Company Limited ("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 Business Corporations Act (Ontario) (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 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.

In accordance with the Arrangement Agreement, a special resolution of shareholders was passed 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 "Reverse Takeover Transaction" or "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 June 30, 2024 and December 31, 2023 comprise ZYUS Life Sciences Corporation and its subsidiaries (collectively, the "Company" or "ZYUS"). The Company's head office is 407 Downey Road, Unit 204, Saskatoon, Saskatchewan, Canada, S7N 4L8; its registered office is 3400-22 Adelaide Street W, Toronto, Ontario, Canada, M5H 4E3.

The Company is primarily engaged in the global development and commercialization of innovative cannabinoid-based therapeutics and product candidates. The Company is a licensed producer and distributor of medical cannabis pursuant to The Cannabis Act, which regulates the production, distribution and possession of cannabis for both medical and adult recreational access in Canada. The Company is also expanding to jurisdictions outside of Canada (where federally lawful and regulated for cannabis). ZYUS is considered to be an early-stage company, as most of its efforts have been devoted to ramp-up efforts on its pilot plant and to research and development.

The Company's wholly owned subsidiary, ZYUS Life Sciences Inc., has a producer's license, a research license, a license to sell to other licensed producers and its standard processing and sales license from Health Canada. The Company has maintained compliance with all Health Canada's requirements under these licenses.

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

**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 (Note 15).

As at June 30, 2024, the Company had incurred an accumulated deficit of $148.3 million and has net current liabilities (current assets less current liabilities) of $10.6 million. 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), which is expected to be insufficient to fund research, development and corporate activities in the next 12 months; 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 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. Failure to obtain additional financing on a timely basis may cause the Company to postpone its research and development activities or terminate its operations.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported revenues and expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. Arrangement Agreement and Reverse Takeover Transaction

The Arrangement Agreement constitutes a reverse business acquisition and has been accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payment, as 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, 2024, have been eliminated in the condensed consolidated interim statement of financial position.

## 3. Basis of Presentation

**Statement of compliance**

These condensed consolidated interim financial statements for the three and six-month periods ended June 30, 2024 and 2023 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), following the same accounting policies and methods of application as those used in preparing the audited consolidated financial statements of the Company for the year ended December 31, 2023, except as disclosed in Note 4. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2023 (“2023 Annual Financial Statements”) which have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on August 28, 2024.

Details of the Company’s accounting policies, including future changes, are included in Notes 4 and 5.

**Reverse acquisition**

As a result of the Arrangement Agreement and RTO Transaction described in Notes 1 and 2, these 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.

**Basis of measurement**

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, as detailed in Note 13 of these condensed consolidated interim financial statements and in the notes to the ZYUS Life Sciences Inc.’s 2023 Annual Financial Statements.

**Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional and presentation currency. Functional currencies for the Company's subsidiaries in these financial statements are their respective local currencies, including the United States Dollar, Australian Dollar and the Euro.

ZYUS Life Sciences US Ltd. uses the U.S. Dollar as its functional currency. ZYUS Life Sciences Europe S.à r.l, ZYUS Portugal, Sociedade Unipessoal Limitada and ZYUS Life Sciences Germany GmbH use the European Euro as their functional currency. ZYUS Life Sciences Australia Pty Ltd. uses the Australian dollar as its functional currency. Transactions in currencies other than the functional currency are translated at the rate prevailing at the date of transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Income and expense amounts are translated at the dates of the transactions.

In preparing the Company's condensed consolidated interim financial statements, the financial statements of foreign subsidiaries are translated into Canadian dollars, the reporting currency of the Company. The assets and liabilities of foreign subsidiaries that do not have a functional currency of Canadian dollars, are translated into Canadian dollars using exchange rates at the reporting date. Revenues and expenses of foreign operations are translated into Canadian dollars using foreign exchange rates that approximate those on the date of the underlying transactions. Foreign exchange differences from the translation of foreign subsidiaries into Canadian dollars are recognized in Other Comprehensive Income.

## 4. Material Accounting Policies

These condensed consolidated interim financial statements, except as noted in Note 5, are prepared using accounting policies consistent with the Company's 2023 Annual Financial Statements. The accounting policies utilized by management for the Company and its subsidiaries have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

## 5. Accounting Standards

**Changes in Accounting Policies**

A number of amendments to existing standards became effective January 1, 2024, but they did not have an effect on the Company's financial statements.

**New Standards and Interpretations Not Yet Adopted**

A number of amendments to existing standards are not yet effective for the period ended June 30, 2024, and have not been applied in preparing these condensed consolidated interim financial statements. ZYUS does not intend to early adopt any of the amendments and does not expect them to have a material impact on its financial statements.

## 6. Significant Accounting Estimates, Assumptions and Judgements

The accounting policies, estimates, assumptions and judgements used in the preparation of the Company's wholly owned subsidiary's, ZYUS Life Sciences Inc.'s, 2023 Annual Financial Statements have been applied in the preparation of these condensed consolidated interim financial statements.

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

## 7. Loans and Borrowings

| | | June 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Revolver | **$** | **349** | $ | - |
| Promissory Notes (2021 Issuance) | | **6,007** | | 5,816 |
| Term Loan | | **219** | | 333 |
| | **$** | **6,575** | $ | 6,149 |
| **Non-current liabilities** | | | | |
| Term Loan | **$** | **486** | $ | 437 |
| Promissory Notes (2023 Issuance) | | **200** | | 200 |
| | **$** | **686** | $ | 637 |
| **Total loans and borrowings** | **$** | **7,261** | $ | 6,786 |

**Revolver**

On May 10, 2022, the Company entered into a revolving loan agreement ("Revolver") with the Company's CEO (the "Revolving Loan Lender") dated May 10, 2022, which was amended on June 6, 2022, September 13, 2022, December 5, 2022, May 23, 2023 and June 6, 2023. Pursuant to the Revolver, the Company may request an advance by delivering a drawdown notice to the Revolving Loan Lender in accordance with the terms of the Revolver, provided the principal amount outstanding under the Revolver does not exceed the amount of $1.1 million. Amounts outstanding pursuant to the Revolver shall bear interest at a rate of one percent per annum, with the principal, together with any unpaid but accrued interest outstanding thereunder, due and payable on demand.

On May 23, 2023, the Company and the Revolving Loan Lender agreed to extend the Facility Limit of the Revolver from $0.8 million to $1.0 million. On that date, a drawdown notice was delivered to the Revolver Lender for an additional $0.2 million. In addition, on June 6, 2023, the Facility Limit of the Revolver was extended from $1.0 million to $1.1 million and an additional drawdown notice for $0.15 million was delivered to the Revolver Lender. During the second quarter of 2023, all principal and accrued interest pursuant to the Revolver was repaid.

During the second quarter of 2024, the Company delivered to the Revolving Loan Lender drawdown notices totaling $0.4 million. At June 30, 2024, the principal amount outstanding under the Revolver is $0.4 (December 31, 2023 - $nil). Subsequent to June 30, 2024 (Note 18), an additional $0.3 million was drawn pursuant to the Revolver.

Initial recognition of this below-market interest rate loan was measured in accordance with IFRS 9 (*Financial Instruments*), which requires this loan to be initially measured at its fair value. Fair value has been calculated as the present value of the expected future cash flows discounted using a market-related interest rate (determined to be 12 percent), resulting in an effective rate of 12.4 percent. Subsequent measurement is at amortized cost.

| | | June 30, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Revolver, beginning of year | **$** | **-** | $ | 697 |
| Funds drawn | | **400** | | 350 |
| Less: Fair value discount of funds drawn | | **(52)** | | (21) |
| | | **348** | | 1,026 |
| Accretion | | **1** | | 38 |
| Loss on settlement | | **-** | | 26 |
| Repayment | | **-** | | (1,090) |
| Revolver, end of period | **$** | **349** | $ | - |

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

Subsequent to June 30, 2024, after closing of the Private Placement, the Company settled $0.5 million of the Revolving Loan Agreement with the Company's CEO (Note 18).

**2021 Promissory Notes**

On March 31, 2021, the Company entered into a series of promissory note agreements ("Promissory Notes") with Mr. Zettl (the Company's CEO) and a Director of the Company, (the "Lenders") in the amounts of $5.0 million and $1.0 million respectively (the "Principal Amount"), bearing an interest rate of seven percent per annum compounding annually. On May 19, 2021, the Zettl Promissory Note was transferred to 102042227 Saskatchewan Ltd., a company wholly owned by Mr. Zettl. Interest on the Principal Amount was payable annually within 30 days of December 31, or within 30 days of the Company electing to prepay the Promissory Note in full in accordance with its terms. During the fourth quarter of 2021, the Lenders agreed to waive the Promissory Note Interest Payment in perpetuity until such time that the Company deems it appropriate to pay the interest owing.

The Principal Amount, together with any accrued but unpaid interest, were originally due and payable on March 31, 2024 (the "Maturity Date"). During the first quarter of 2023, the Company and the Lenders agreed to further extend the Maturity date from March 31, 2024 to June 30, 2024; this amendment resulted in the effective rate of the Promissory Notes being updated to 16.0 percent. ZYUS may prepay this Promissory Note in any amount at any time without penalty or premium. During the third quarter of 2023, the Company elected to prepay $0.25 million of principal and interest on the Promissory Notes.

During the fourth quarter of 2023, ZYUS Life Sciences Inc. assigned payment of a $1.0 million Promissory Note, plus accrued interest outstanding to its parent company ZYUS Life Sciences Corporation. In exchange for early settlement of the Promissory Note prior to the Amended Maturity Date by the Borrower (the "Early Promissory Note Settlement"), the Lender agreed to amend the Promissory Note and forego all interest payable thereunder. The Early Promissory Note Settlement was completed through the issuance of 1,000,000 common shares of ZYUS Life Sciences Corporation (the "Common Shares") at a deemed price of $1.00 per Common Share (the "Transaction"). As part of the Transaction, the Lender holding the Promissory Note provided the Company with full and final releases with respect to the Promissory Note. In that the holder of the Promissory Note was acting in the capacity of a shareholder of the Company, the forgiveness is treated as a capital transaction. As such, the outstanding financial liability (consisting of principal and accrued interest) was reclassified to equity and no gain or loss recognized on the Consolidated Statement of Loss and Comprehensive Loss. After this settlement, only the Zettl Promissory Note remained outstanding.

On June 27, 2024, the Company and the remaining Lender agreed to further extend the Maturity date from June 30, 2024 to December 31, 2024 (the "Amended Maturity Date") and, amend the Interest Payment terms to provide that all interest under the Zettl Promissory Note, as amended, be payable on the Amended Maturity Date, or within 30 days of the Borrower electing to prepay the Zettl Promissory Note in full in accordance with its terms; this amendment resulted in the effective rate of the Promissory Notes being updated to 16.4 percent.

The obligations of the Company for the remaining Promissory Note are secured by security comprised of (i) a security interest against the movable production and manufacturing equipment owned by the Company on the Security Date, and (ii) a mortgage over certain real property owned by the Company. If the Promissory Note is prepaid in full, any interest accrued but unpaid shall be paid to the Lender within 30 days of such prepayment.

| | | **June 30, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Promissory Notes, beginning of year | **$** | **5,816** | $ | 6,797 |
| Interest and accretion [(1)] | | **191** | | 477 |
| Repayment [(2)] | | **-** | | (250) |
| Repayment [(3)] | | **-** | | (1,208) |
| Promissory Notes payable, end of period | | **6,007** | | 5,816 |
| Current portion | | **(6,007)** | | (5,816) |
| Promissory Notes payable, long-term portion | **$** | **-** | $ | - |

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

(1) Reflects an effective interest rate of 16.0 percent (December 31, 2023 - 16.0 percent), with the compounding portion owing on the notes being added to the principal.
(2) For the repayment noted above, $0.05 million was paid to principal and $0.2 million was for accrued but unpaid interest.
(3) For the repayment noted above, ZYUS Life Sciences Corporation issued 1,000,000 common shares at a deemed price of $1.00 per Common Shares to settle a $1.0 million Promissory Note; accrued interest on the promissory note was forgiven in exchange for early settlement.

Subsequent to June 30, 2024, after closing of the Private Placement (Notes 8 and 18), the Company elected to prepay $2.0 million to the Company's CEO in order to settle a portion of the Promissory Note agreement outstanding.

**Term Loan**

On August 5, 2021, ZYUS entered into an Agreement whereby the Minister responsible for Western Economic Diversification Canada (the "Minister") offered the Company a financial contribution of $1.0 million (the "Contribution"), subject to certain terms and conditions, under the Regional Relief and Recovery Fund ("RRRF"). The Company shall repay the Contribution to the Minister, as amended on January 31, 2024 (the "Amendment"), by one payment of $0.03 million on January 31, 2024, 11 payments of $0.01 million commencing on February 28, 2024 and ending on December 31, 2024, 35 payments of $0.02 million commencing on January 31, 2025 and ending on December 31, 2027, when any principal and interest then outstanding shall be repaid. Interest is calculated and compounded monthly at the average bank rate plus three percent and accrues during the period beginning on the due date and ending on the day before the day on which the monthly payment is received.

At any time during this Agreement, the Company will have the right to repay the outstanding amount of the Contribution (net of any payments made in accordance with the repayment terms including any interest and administration charges due, if any). Full repayment of the Contribution by the Company to the Minister and receipt of various documentation will terminate this Agreement.

Initial recognition of this below-market interest rate loan was measured in accordance with IFRS 9 (*Financial Instruments*), which requires this loan to be initially measured at its fair value. Fair value has been calculated as the present value of the expected future cash flows discounted using a market-related interest rate (determined to be 12 percent), resulting in an effective rate of 10.5 percent up to the Amendment (and of 8.4 percent subsequent to the Amendment). Subsequent measurement is at amortized cost.

| | | **June 30, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Term loan, beginning of year | **$** | **770** | $ | 723 |
| Accretion | | **19** | | 49 |
| Repayment | | **(84)** | | (2) |
| Term loan, end of period | | **705** | | 770 |
| Current Portion | | **(219)** | | (333) |
| Term loan, long-term portion | **$** | **486** | $ | 437 |

**2023 Promissory Notes**

During the first quarter of 2023, the Company initiated a private placement (the "Promissory Note Private Placement") to certain subscribers (the "Promissory Note Subscribers") of promissory notes (the "ZYUS 2023 Promissory Notes") each being in the principal amount of $0.1 million (CAD) per Note for gross proceeds of $0.5 million, bearing an interest rate of 12 percent per annum. The ZYUS 2023 Promissory Notes, together with any accrued but unpaid interest, are due and payable two and one-half years from the issuance date (the "ZYUS 2023

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

Promissory Note Maturity Date"), at which point the Principal Amount and interest accrued but unpaid thereon shall be due and payable.

| | | **June 30, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Promissory Notes, beginning of year | **$** | **200** | $ | - |
| 2023 Tranche closings (1) | | **-** | | 500 |
| | **$** | **200** | $ | 500 |
| Repayment (2) | | **-** | | (300) |
| Promissory Notes payable, end of period | **$** | **200** | $ | 200 |

(1) Closing of the Promissory Note Private Placement during 2023 occurred in various tranches between January 16, 2023 and February 27, 2023, resulting in maturity dates between July 16, 2025 and August 27, 2025.

(2) The Company elected to prepay $0.3 million of the ZYUS Life Sciences Inc.'s 2023 Promissory Notes and accrued interest thereon, originally maturing on July 16, 2025, during the third quarter of 2023.

## 8. Share Capital

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, the Company completed a non-brokered private placement offering (the "Private Placement") resulting in the issuance of 3,510,345 units at a price of $0.95 per Unit for aggregate gross proceeds of $3.3 million (Note 18). Each Unit consists of one common share of the Company and one Common Share purchase warrant (a "Warrant"). From gross proceeds, $2.5 million was utilized to repay certain debt outstanding with Mr. Brent Zettl, the Company's CEO, and 102042227 Saskatchewan Ltd, an entity owned and controlled by Mr. Zettl (Notes 7 and 16). At August 28, 2024, the Company had 74,357,741 common shares issued and outstanding.

## 9. Share Purchase Warrants

| | **June 30, 2024** | | December 31, 2023 (1) | |
|---|---|---|---|---|
| | **Number of warrants** | **Weighted average exercise price** | Number of warrants | Weighted average exercise price |
| Beginning of year | **3,924,701** | **$3.37** | 3,558,303 | $3.49 |
| Granted (1) | **-** | **-** | 366,398 | $2.27 |
| Expired | **(1,304,561)** | **$3.55** | - | - |
| Outstanding, end of period | **2,620,140** | **$3.28** | 3,924,701 | $3.37 |
| Exercisable, end of period | **2,620,140** | **$3.28** | 3,924,701 | $3.37 |

(1) Historical figures and current year grants have been adjusted retrospectively to reflect the impact of the exchange ratio defined in the Arrangement Agreement pursuant to the RTO Transaction.

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

Broker Warrants

During the year ended December 31, 2023, as adjusted for the impact of the RTO Transaction and exchange ratio, there were 366,398 warrants issued by the Company pursuant to the RTO Transactions (the "RTO Broker Warrants"). The RTO Broker Warrants have an exercise price of $2.27 per warrant, have a term of two years and have an expiration date of June 9, 2025 (the "RTO Broker Warrant Expiration Date"). In determining compensation expense associated with the RTO Broker Warrants, the Company used the Black-Scholes option pricing model to estimate the fair value ($0.4 million) of the warrants granted through application of the following assumptions:

| | **2023** |
|---|---|
| Risk-free interest rate | **4.49%** |
| Expected life of units (years) | **2.0** |
| Expected annualized volatility | **81.5%** |
| Expected dividend yield | **Nil** |
| Weighted average Black-Scholes value of each unit | **$1.05** |

Unit Offering

Subsequent to June 30, 2024, in connection with the closing of a Private Placement (Notes 8 and 18), the Company issued 3,368,421 Warrants that entitle 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.

## 10. Finance Costs

| | **Three Months Ended June 30,** | |
|---|---|---|
| | **2024** | 2023 |
| Interest expense (loans and borrowings) | **$ 100** | $ 759 |
| Interest expense (leases) | **70** | 80 |
| Accretion | **11** | 464 |
| Other | **43** | 352 |
| | **$ 224** | $ 1,655 |

| | **Six Months Ended June 30,** | |
|---|---|---|
| | **2024** | 2023 |
| Interest expense | **$ 203** | $ 1,666 |
| Loss on settlement of loans and borrowings | **142** | 160 |
| Accretion | **21** | 1,017 |
| Other | **103** | 421 |
| | **$ 469** | $ 3,264 |

## 11. 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.

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

The following table summarizes stock option changes during the period ended June 30, 2024 and year ended December 31, 2023:

| | **June 30, 2024 (1)** | | December 31, 2023 (1) | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Beginning of year (1) | **3,762,016** | **$1.75** | 2,234,206 | $2.00 |
| Granted | **322,175** | **$1.08** | 1,640,000 | $1.45 |
| Forfeited | **(63,750)** | **$1.45** | (10,787) | $2.63 |
| Expired | **(90,307)** | **$4.44** | (101,403) | $2.35 |
| Outstanding, end of period | **3,922,634** | **$1.68** | 3,762,016 | $1.75 |
| Exercisable, end of period | **2,639,934** | **$2.50** | 2,618,148 | $1.85 |

(1) Historical figures and stock option grants have been adjusted retrospectively to reflect the impact of the exchange ratio defined in the Arrangement Agreement pursuant to the RTO Transaction.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to estimate the fair value of units granted during the period ended June 30, 2024 and the year ended December 31, 2023 through application of the following assumptions:

| *For the year ended December 31,* | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| Risk-free interest rate | **3.7%** | **3.7%** |
| Expected life of units (years) | **5** | **5** |
| Expected annualized volatility | **99.5%** | **94.4%** |
| Expected dividend yield | **Nil** | **Nil** |
| Weighted average Black-Scholes value of each unit | **$0.82** | **$0.40** |

For stock options outstanding at June 30, 2024, the range of exercise prices, the weighted average exercise price and the weighted average remaining life are as follows:

| | **Options Outstanding** | | | **Options Exercisable (Vested)** | | |
|---|---|---|---|---|---|---|
| | **Quantity** | **Weighted Average Remaining Contractual Life (years)** | **Weighted Average Exercise Price** | **Quantity** | **Weighted Average Remaining Contractual Life (years)** | **Weighted Average Exercise Price** |
| $1.08 - $5.31 | 3,706,306 | 4.30 | $1.40 | 2,423,606 | 4.22 | $2.15 |
| $5.32 - $7.85 | 119,822 | 3.13 | $5.32 | 119,822 | 3.13 | $5.32 |
| $7.86 - $8.09 | 96,506 | 4.30 | $7.88 | 96,506 | 4.30 | $7.88 |
| | 3,922,634 | 4.26 | $1.68 | 2,639,934 | 4.15 | $2.50 |

The foregoing options have expiry dates ranging from July 8, 2024 to December 5, 2029.

The expected life of the stock options represents the period of time stock options are expected to be outstanding and is estimated considering vesting terms. For those stock options granted prior to the RTO Transaction, expected volatility was based on historical volatilities of public companies operating in a similar industry to ZYUS. The risk-free rate is based on the Canada Benchmark Bond Yield Rates in effect at the time of grant. The expected dividend yield was determined based on the stock option's exercise price and expected annual dividend rate at the time of grant.

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

## 12. Loss Per Share

Loss per share for the three and six months ended June 30, 2024 and 2023 was calculated based on the following:

| | **Three Months Ended June 30,** | | | |
|---|---|---|---|---|
| | | **2024** | | 2023[(1)] |
| Loss attributable to common shareholders | **$** | **(4,812)** | $ | (9,232) |
| Weighted average shares outstanding (basic) | | **70,847,396** | | 45,744,192 |
| Dilutive effect of convertible debentures, stock options and warrants | | **-** | | - |
| Weighted average shares outstanding (diluted) | | **70,847,396** | | 45,744,192 |
| Loss per share (basic and diluted) | **$** | **(0.07)** | $ | (0.20) |

| | **Six Months Ended June 30,** | | | |
|---|---|---|---|---|
| | | **2024** | | 2023 |
| Loss attributable to common shareholders | **$** | **(8,150)** | $ | (13,913) |
| Weighted average shares outstanding (basic) | | **70,847,396** | | 42,158,693 |
| Dilutive effect of convertible debentures, stock options and warrants | | **-** | | - |
| Weighted average shares outstanding (diluted) | | **70,847,396** | | 42,158,693 |
| Loss per share (basic and diluted) | **$** | **(0.12)** | $ | (0.33) |

As of June 30, 2024, there were 6,542,774 common share equivalents in the form of:

- 2,620,140 common share purchase warrants (Note 9); and
- 3,922,634 stock options (Note 11).

As of June 30, 2023, after adjusting for the impact of the RTO Transaction and Exchange Ratio, there were 6,190,519 common share equivalents in the form of:

- 3,924,885 common share purchase warrants;
- 2,198,550 stock options; and
- 67,084 holdback shares with potential dilutive impact (Note 15).

The Company's results of operations were in a loss position for the three and six months ended June 30, 2024 and June 30, 2023; as a result, there was no effect of applying the treasury-stock method to the weighted average number of shares outstanding as the inclusion of common stock equivalents would be anti-dilutive.

## 13. Financial Instruments

The financial instruments recognized on the condensed consolidated interim statement of financial position are comprised of cash, short-term investments, accounts receivable (excluding recoverable sales taxes), accounts payable and accrued liabilities, loans and borrowings and derivative liabilities. The Company is exposed to various risks through its financial instruments, as follows:

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

## Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. At June 30, 2024 and December 31, 2023, the Company did not have material exposure to credit risk on cash and cash equivalents or counterparty performance of outstanding accounts receivable.

## Liquidity Risk

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 debt or share capital.

Liquidity risk is the risk that the Company cannot meet its financial obligations when due. The Company manages liquidity risk by monitoring operating and growth requirements. Management believes its current capital resources and working capital levels will require the Company to seek future additional financing to allow it to meet its obligations, to make debt service requirements, and to fund the other needs of its business. However, no assurance can be given that future sources of capital will be available. The ability of the Company to continue as a going concern is dependent on raising capital to fund its business plan and ultimately to attain profitable operations. Any delay or failure to complete any additional financing would have a significant negative impact on the Company's business, results of operations and financial condition, and the Company may be forced to reduce or cease its operations or seek relief under applicable bankruptcy laws (see Note 1 – Future Operations and Liquidity).

The timing of expected cash outflows relating to financial liabilities at June 30, 2024 is as follows:

| Payments / Commitments due by Period | | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **2-3 Years** | **4-5 Years** | **More than 5 years** | **Total** |
| Account payable and accrued liabilities | $ 8,045 | - | - | - | **$ 8,045** |
| Promissory Notes [1] | 6,007 | - | - | - | **6,007** |
| Interest on Promissory Notes | 309 | - | - | - | **309** |
| Term Loan [2] | 220 | 545 | 136 | - | **901** |
| Interest on Term Loan [2] [3] | 81 | 84 | 4 | - | **169** |
| Revolver | 400 | - | - | - | **400** |
| Interest on Revolver | 4 | - | - | - | **4** |
| Promissory Notes (2023 Issuance) | - | 200 | - | - | **200** |
| Interest on Promissory Notes (2023 Issuance) | - | 60 | - | - | **60** |
| Lease obligations | 702 | 1,110 | 1,053 | 1,109 | **3,974** |
| | **$ 15,768** | **$ 1,999** | **$ 1,193** | **$ 1,109** | **$ 20,069** |

(1) Includes Interest that has compounded and been added to principal balance owing (Note 7).

(2) Amounts presented in the above table are the principal balances owing; the amortized cost of this debt instrument is outlined in Note 7.

(3) With respect to this term loan, the Company will not be subject to interest as long as scheduled principal payments are made without delay.

## Market Risk

Market risk is the potential for loss from adverse changes in the market value of financial instruments. The level of market risk that the Company is exposed to varies depending on the composition of its short-term investment portfolio, as well as current and expected market conditions.

## Categories of Financial 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. 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.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows.

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

- **Level 1** – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2** – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying value of cash and cash equivalents, short-term investments, 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:

| | | Fair value measurement using | | |
|---|---|---|---|---|
| **As at June 30, 2024** | Carrying Amount | Level 1 | Level 2 | Level 3 |
| Recurring measurements: | | | | |
| Short-term investments | $nil | $nil | - | - |
| **As at 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 six-month period ended June 30, 2024 or 2023.

## 14. Capital Management

The Company defines its capital as its shareholder's equity and loans and borrowings. The Company's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can provide adequate returns to shareholders and benefits to other stakeholders. Except as otherwise disclosed in these condensed consolidated interim financial statements, there are no restrictions on the Company's capital. The Company's objectives with respect to the management of capital are to:

- Maintain financial flexibility in order to preserve its ability to meet financial obligations;
- Deploy capital to provide an appropriate investment return to its shareholders; and,
- Maintain a capital structure that allows various financing alternatives to the Company as required.

In order to maintain or adjust the capital structure, the Company (upon approval from its Board of Directors, as required) may issue new shares through private placements, sell assets or incur debt. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including proposals on acquisitions, major investments, as well as annual capital and operating budgets. The Company believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2024. The Company is not subject to externally imposed capital requirements.

At June 30, 2024, there were no covenants associated with the Loans and Borrowings.

## 15. Commitments and Contingent Liabilities

### Legal Claims and Regulatory Matters

In the normal course of business, the Company may occasionally be named as a party in various claims and legal proceedings. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed, and the availability of insurance coverage. There can be no assurance that any particular claim will be resolved in the Company's favor or that such claims may not have a material effect on the Company. Inquiries from regulatory bodies may also arise in the normal course of business, to which the Company responds as required.

### Contingent Consideration Pursuant to Acquisition

On July 31, 2019, ZYUS acquired all issued and outstanding shares of Revon Systems, Inc. ("Revon"), a Kentucky-based healthcare technology company. The purchase consideration included 1,953,050 common shares issued on closing. Additional contingent consideration up to 2,715,217 common shares was due on successful completion of a performance condition; these common shares were issued during the first quarter of 2022. Additional contingent consideration of 95,271 ZYUS Life Sciences Inc. common shares were issued and held in trust during the completion of the RTO Transaction. After giving effect to the RTO Transaction and exchange ratio, these shares were exchanged for 67,084 common shares of ZYUS Life Sciences Corporation (Note 12); in the third quarter of 2023, these common shares were released from escrow and issued to former Revon shareholders on the fourth anniversary of the transaction. Upon the release of these shares from escrow, all consideration relating to the Revon acquisition has been issued and no further obligation remains.

### Supply Agreements

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. During the fourth quarter of 2023, the Company received an invoice for $5.8 million which it disagrees with and is engaged in negotiation with the licensed producer; the Company has recorded a provision relating to this dispute. During the first quarter of 2024, the Company received an updated invoice for $3.2 million and has continued with negotiations with the licensed producer.

## 16. Related Party Transactions

### Related Party Transactions

Related parties exist when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other or is a member, or close family member of a member, of the key management personnel of the Company. Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties. During the six months ended June 30, 2024 and the year ended December 31, 2023, in addition to key management personnel, the following related parties were identified:

- 102042227 Saskatchewan Ltd., a company subject to common control; and
- 1189115 BC Ltd., a company subject to common control; and
- Prairie Tide Diversified ("Prairie Tide").

Promissory Note

On March 31, 2021, the Company entered into a series of promissory note agreement ("Promissory Note") with the Company's CEO (the "Lender") in the amount of $5.0 million (the "Principal Amount"), bearing an interest rate of seven percent per annum compounding annually. During the third quarter of 2023, the Company elected to prepay $0.25 million of principal and interest on the Promissory Note. Subsequent to June 30, 2024, after closing of the Private Placement, the Company elected to prepay $2.0 million to the Company's CEO in order to settle a portion of the Promissory Note agreement outstanding (Note 18).

Revolver

During the period ended June 30, 2024, ZYUS Life Sciences Inc. entered into a series of drawdowns in respect of the Revolver Agreement with the Company's CEO. At June 30, 2024, the principal amount outstanding under the Revolver is $0.4 million (December 31, 2023 - $nil). Subsequent to June 30, 2024, additional drawdown notices totaling $0.3 million were delivered to the Revolver Lender (Note 18). Also subsequent to June 30, 2024, after closing of the Private Placement, the Company settled $0.5 million of the Revolving Loan Agreement with the Company's CEO (Note 18).

Contract Analytical and Lab Services

From time to time, ZYUS engages a company partially owned by the Company's CFO, Prairie Tide, for contract and analytical lab services. This work is performed at standard market rates.

Private Placement

Subsequent to June 30, 2024, Insiders of the Company, who are independent directors, purchased 842,103 Units pursuant to the Private Placement for gross proceeds of $0.8 million (Note 18).

(Unaudited - expressed in thousands of Canadian Dollars, except share data or as otherwise noted)

## 17. Segment Information

### Reportable Segments

Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on the sale of biopharmaceutical operations). No operating segments have been aggregated in arriving at the reportable segments of the Company.

#### Entity-wide Disclosures

The Company has one reportable segment: Bio-pharmaceutical Products (including medical cannabis derivatives).

#### Geographic Information

The Company operates in four principal geographical areas:

- Canada;
- United States
- Australia; and
- European Union

| **As at June 30, 2024** [1] | Canada | United States | European Union | Total |
|---|---|---|---|---|
| Non-current assets | $ 18,908 | $ 12,418 | $ 14 | $ 31,340 |

| **As at December 31, 2023** [1] | Canada | United States | European Union | Total |
|---|---|---|---|---|
| Non-current assets | $ 20,225 | $ 12,000 | $ 14 | $ 32,239 |

(1) The Company does not have any long-term assets in Australia.

For the three and six months ended June 30, 2024 and June 30, 2023, all revenue is attributable to Canada.

## 18. Subsequent Events

### Private Placement

On August 26, 2024, the Company closed 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. The Warrants have an exercise period of and will expire 24 months after the Issue Date (the "Expiry Date"). If during the exercise period of the Warrants volume weighted average trading price (the "VWAP") of the Common Shares on the TSX Venture Exchange, greater than $3.00 for a period of five consecutive trading days (an "Acceleration Event"), ZYUS will have the right to accelerate the expiry date of the Warrants by giving notice, via a news release, to the holders of the Warrants that the Warrants' Expiry Date will be on the date that is 30 days following after the issuance of said news release of the Acceleration Event by the Company.

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 constituted 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 $2.5 million.

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

## Revolving Loan Agreement

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 with the Company's CEO.

## 2021 Promissory Note

Subsequent to June 30, 2024, after closing of the Private Placement, the Company elected to prepay $2.0 million to the Company's CEO in order to settle a portion of the Promissory Note agreement outstanding.

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# Q2 2024