REFINITIV

DELTA REPORT

10-Q

ZOM - ZOMEDICA CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1232
CHANGES	125
DELETIONS	572
ADDITIONS	535

REFINITIV

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 001-38298

Zomedica Corp.
(Exact name of registrant as specified in its charter)

Alberta, Canada	**N/A**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
100 Phoenix Drive, Suite 125 **Ann Arbor, Michigan**	**48108**
(Address of principal executive offices)	**(Zip code)**

(734) 369-2555
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	ZOM	NYSE American

As of November 13, 2023 May 9, 2024, 979,949,668 shares of the registrant's common shares, without par value, were issued and outstanding.

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ZOMEDICA CORP.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED

September 30, 2023 March 31, 2024

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Zomedica Corp.

Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 (Unaudited) and December 31, 2022 December 31, 2023

(United States Dollars in Thousands)

	As of		As of	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Current assets				
Cash and cash equivalents	$ 21,783	$ 27,399	$ 10,939	$ 12,952
Available-for-sale securities	84,424	87,693	72,023	77,545
Trade receivables, net	1,348	596	1,649	1,197
Inventory, net	3,737	2,746	5,062	5,123
Prepaid expenses and deposits	3,018	3,799	1,616	2,064
Other receivables	1,084	1,268	780	1,001
Total current assets	**115,394**	**123,501**	**92,069**	**99,882**
Prepaid expenses and deposits	98	188	243	250
Property and equipment, net	8,259	6,809	23,971	22,828
Construction in progress	6,279	692		
Right-of-use asset	1,681	1,665	2,253	2,466
Goodwill	73,774	63,979	61,580	61,580
Intangible assets, net	56,928	41,799	54,802	55,364
Non current available-for-sale securities	11,787	40,712	7,964	10,005
Other assets	852	265	819	822
Total assets	**$ 275,052**	**$ 279,610**	**$ 243,701**	**$ 253,197**
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$ 5,598	$ 6,698	$ 6,676	$ 7,668
Accrued income taxes	114	187	66	65
Current portion of lease obligations	679	641	847	916
Customer contract liabilities	257	207	260	276
Other current liabilities	92	78	159	107
Total current liabilities	**6,740**	**7,811**	**8,008**	**9,032**
Lease obligations	1,073	1,097	1,657	1,814
Deferred tax liabilities	998	1,245	955	1,138
Customer contract liabilities	270	182	279	252
Liability due to Qorvo	3,654	—		
Other liabilities	1,433	1,884	907	944
Total liabilities	**$ 14,168**	**$ 12,219**	**$ 11,806**	**$ 13,180**

Commitments and contingencies (Note 16)				
Commitments and contingencies (Note 14)				
Shareholders' equity				
Unlimited common shares, no par value; 979,949,668 issued and outstanding at September 30, 2023 and December 31, 2022	$ 380,973	$ 380,973		
Unlimited common shares, no par value; 979,949,668 issued and outstanding at March 31, 2024 and December 31, 2023			$ 380,973	$ 380,973
Additional paid-in capital	28,824	23,666	31,030	29,929
Accumulated deficit	(148,526)	(136,403)	(180,093)	(170,933)
Accumulated comprehensive loss	(387)	(845)		
Accumulated comprehensive income (loss)			(15)	48
Total shareholders' equity	**260,884**	**267,391**	**231,895**	**240,017**
Total liabilities and shareholders' equity	**$ 275,052**	**$ 279,610**	**$ 243,701**	**$ 253,197**

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

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Zomedica Corp.

Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

(Unaudited) (United States Dollars in Thousands, Except for Per Share Data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net revenue	$ 6,347	$ 4,776	$ 17,849	$ 12,773	$ 6,262	$ 5,482
Cost of revenue	1,985	1,265	5,604	3,516	2,145	1,647
Gross profit	**4,362**	**3,511**	**12,245**	**9,257**	**4,117**	**3,835**
Expenses						
General and administrative	6,115	5,153	19,977	17,691	8,625	7,013
Research and development	867	1,215	2,645	1,885	1,771	918
Selling and marketing	3,328	3,735	9,826	6,468	4,107	3,416
Loss from operations	**(5,948)**	**(6,592)**	**(20,203)**	**(16,787)**	**(10,386)**	**(7,512)**
Interest income	1,437	1,012	4,309	1,396	1,093	1,412
Interest expense	(64)	—	(175)	—	—	(50)
Gain (loss) on disposal of assets	14	—	15	(1)		

Gain on disposal of assets					12	—
Other income (loss)	2,195	(5)	2,195	(8)	84	(1)
Foreign exchange loss	(45)	(67)	(54)	(123)	(129)	(26)
Loss before income taxes	**(2,411)**	**(5,652)**	**(13,913)**	**(15,523)**	**(9,326)**	**(6,177)**
Income tax benefit	(1,920)	(657)	(1,790)	(1,317)		
Income tax (benefit) expense					(166)	208
Net loss	**(491)**	**(4,995)**	**(12,123)**	**(14,206)**	**(9,160)**	**(6,385)**
Unrealized gain (loss), change in fair value of available-for-sale securities, net of tax	244	(803)	520	(803)	(11)	283
Change in foreign currency translation	(19)	(32)	(62)	(21)	(52)	3
Net loss and comprehensive loss	**$ (266)**	**$ (5,830)**	**$ (11,665)**	**$ (15,030)**	**$ (9,223)**	**$ (6,099)**
Weighted average number of common shares - basic and diluted	**979,949,668**	**979,949,668**	**979,949,668**	**979,949,668**	**979,949,668**	**979,949,668**
Loss per share - basic and diluted (Note 18)	**$ (0.001)**	**$ (0.005)**	**$ (0.012)**	**$ (0.014)**		
Loss per share - basic and diluted (Note 16)					**(0.009)**	**(0.007)**

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

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Zomedica Corp.

Consolidated Statements of Shareholders' Equity for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

(Unaudited) (United States Dollars in Thousands)

	For the Nine Months Ended September 30, 2023					
	Common Stock		Additional Paid-In	Accumulated	Accumulated Comprehensive	
	Shares	Amount	Capital	Deficit	(Loss)	Total
Balance at December 31, 2022	979,949,668	$ 380,973	$ 23,666	$ (136,403)	$ (845)	$ 267,391
Stock-based compensation	—	—	5,158	—	—	5,158
Net loss	—	—	—	(12,123)	—	(12,123)
Other comprehensive income	—	—	—	—	458	458
Balance at September 30, 2023	**979,949,668**	**$ 380,973**	**$ 28,824**	**$ (148,526)**	**$ (387)**	**$ 260,884**

	For the Three Months Ended September 30, 2023						For the Three Months Ended March 31, 2024				
	Common Stock		Additional Paid-In	Accumulated	Accumulated Comprehensive		Common Stock		Additional Paid-In	Accumulated	Accum Compre
	Shares	Amount	Capital	Deficit	(Loss)	Total	Shares	Amount	Capital	Deficit	(L
Balance at June 30, 2023	979,949,668	$380,973	$ 27,156	$ (148,035)	$ (612)	$259,482					
Balance at December 31, 2023							979,949,668	$380,973	$ 29,929	$ (170,933)	$
Stock-based compensation	—	—	1,668	—	—	1,668	—	—	1,101	—	
Net loss	—	—	—	(491)	—	(491)	—	—	—	(9,160)	
Other comprehensive income	—	—	—	—	225	225					
Balance at September 30, 2023	**979,949,668**	**$380,973**	**$ 28,824**	**$ (148,526)**	**$ (387)**	**$260,884**					
Other comprehensive loss							—	—	—	—	
Balance at March 31, 2024							**979,949,668**	**$380,973**	**$ 31,030**	**$ (180,093)**	**$**

	For the Nine Months Ended September 30, 2022					
	Common Stock		Additional Paid-In	Accumulated	Accumulated Comprehensive	
	Shares	Amount	Capital	Deficit	(Loss)	Total
Balance at December 31, 2021	979,899,668	$ 380,962	$ 9,313	$ (119,391)	$ 2	$ 270,886
Stock-based compensation	—	—	6,452	—	—	6,452
Warrants issued	—	—	6,465	—	—	6,465
Stock issuance from warrant exercises	50,000	8	—	—	—	8
APIC reclass for warrants	—	3	(3)	—	—	—
Net loss	—	—	—	(14,206)	—	(14,206)
Other comprehensive income	—	—	—	—	(824)	(824)
Balance at September 30, 2022	**979,949,668**	**$ 380,973**	**$ 22,227**	**$ (133,597)**	**$ (822)**	**$ 268,781**

	For the Three Months Ended September 30, 2022						For the Three Months Ended March 31, 2023				
	Common Stock		Additional Paid-In	Accumulated	Accumulated Comprehensive		Common Stock		Additional Paid-In	Accumulated	Accum Compre
	Shares	Amount	Capital	Deficit	(Loss)	Total	Shares	Amount	Capital	Deficit	(L
Balance at June 30, 2022	979,899,668	$380,962	$ 13,845	$ (128,602)	$ 13	$266,218					
Balance at December 31, 2022							979,949,668	$380,973	$ 23,666	$ (136,404)	$
Stock-based compensation	—	—	1,920	—	—	1,920	—	—	1,765	—	
Warrants issued	—	—	6,465	—	—	6,465					
Stock issuance from warrant exercises	50,000	8	—	—	—	8					
APIC reclass for warrants	—	3	(3)	—	—	—					
Net loss	—	—	—	(4,995)	—	(4,995)	—	—	—	(6,385)	
Other comprehensive income	—	—	—	—	(835)	(835)	—	—	—	—	
Balance at September 30, 2022	**979,949,668**	**$380,973**	**$ 22,227**	**$ (133,597)**	**$ (822)**	**$268,781**					
Balance at March 31, 2023							**979,949,668**	**$380,973**	**$ 25,431**	**$ (142,789)**	**$**

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

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Zomedica Corp.

Consolidated Statements of Cash Flows for the Three Ended March 31, 2024 and Nine Months Ended September 30, 2023 and 2022 2023

(Unaudited) (United States Dollars in Thousands)

	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (12,123)	$ (14,206)
Adjustments for:		
Depreciation	538	270
Amortization - intangible assets	3,890	2,540
(Gain) loss on disposal of property and equipment	(15)	1
Gain on conversion of notes receivable	(2,174)	—
Stock-based compensation	5,158	6,452
Non cash portion of rent benefit (expense)	(2)	9

Accretion/amortization of available-for-sale securities	(1,716)	(400)
Change in assets and liabilities, net of acquisitions:		
Purchased inventory	(1,350)	(3,637)
Prepaid expenses and deposits	616	(1,330)
Trade receivables	(737)	(442)
Other receivables	193	69
Accounts payable and accrued liabilities	(1,085)	3,020
Accrued income tax	(73)	(199)
Deferred tax liabilities	(1,960)	(1,319)
Other current liabilities	14	(204)
Customer contract liabilities	137	81
Other liabilities	(271)	8
Net cash used in operating activities	**(10,960)**	**(9,287)**
Cash flows from investing activities:		
Investment in available-for-sale securities	33,240	(113,225)
Investment in debt security (at fair value)	(1,750)	(1,000)
Investment in property and equipment	(381)	(583)
Acquisition of intangibles	(4,120)	(143)
Investment in construction in progress	(8,923)	(1,274)
Investment in acquisitions, net of cash acquired (Assisi, Revo Squared, and SMP)	(12,660)	(24,304)
Net cash provided by (used in) investing activities	**5,406**	**(140,529)**
Cash flows from financing activities:		
Cash received from warrant exercises	—	8
Net cash provided by financing activities	**—**	**8**
Decrease in cash and cash equivalents	**(5,554)**	**(149,808)**
Effect of exchange rate changes on cash	(62)	(49)
Cash and cash equivalents, beginning of year	27,399	194,952
Cash and cash equivalents, end of period	**$ 21,783**	**$ 45,095**
Noncash activities:		
Change in fair value of available-for-sale securities, net of tax	**$** 520	**$** (803)
Transfer of construction in progress into property and equipment and intangibles	**$** 2,839	**$** 2,419
Transfer of inventory into property and equipment	**$** 582	**$** 4,291
Supplemental cash flow information:		
Interest received	**$** 2,550	**$** 406

	For the Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (9,160)	$ (6,385)
Adjustments for:		
Depreciation	334	164
Amortization - intangible assets	1,597	1,199
Gain on disposal of property and equipment	(12)	—
Stock-based compensation	1,101	1,765
Non cash portion of rent benefit	2	(1)
Accretion/amortization of available-for-sale securities	(543)	(654)
Deferred tax expense	(184)	—
Change in assets and liabilities, net of acquisitions:		
Purchased inventory	60	(731)

Prepaid expenses and deposits	450	(1,022)
Trade receivables	(452)	144
Other receivables	322	263
Accounts payable and accrued liabilities	(1,133)	721
Accrued income tax	1	46
Other current liabilities	52	(16)
Customer contract liabilities	10	116
Other liabilities	(35)	134
Net cash used in operating activities	**$ (7,590)**	**$ (4,257)**
Cash flows from investing activities:		
Securities (purchased) matured	$ 7,988	$ (8,072)
Investment in debt security (at fair value)	—	(1,750)
Investment in property and equipment	(2,335)	(970)
Acquisition of intangibles	(28)	(4,000)
Net cash provided by (used in) investing activities	**$ 5,625**	**$ (14,792)**
Decrease in cash and cash equivalents	**$ (1,965)**	**$ (19,049)**
Effect of exchange rate changes on cash	(48)	3
Cash and cash equivalents, beginning of year	12,952	27,399
Cash and cash equivalents, end of period	**$ 10,939**	**$ 8,353**
Noncash activities:		
Change in fair value of available-for-sale securities, net of tax	**$** (11)	**$** 283
Property and equipment accrued for in accounts payable	**$** 151	**$** 3
Transfer of property and equipment into intangibles	**$** 1,007	**$** 354
Transfer of inventory into property and equipment	**$** 2	**$** 732
Supplemental cash flow information:		
Interest received on available-for-sale securities	**$** 708	**$** 783

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

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Zomedica Corp.

Notes to the Consolidated Financial Statements

(United States Dollars in Thousands)

1. Nature of Operations

Zomedica is a veterinary health company creating products for companion animals by focusing on the unmet needs of clinical veterinarians. The Company consists of the parent company, Zomedica Corp., its wholly-owned wholly owned U.S subsidiary, Zomedica Inc., and the wholly-owned wholly owned subsidiaries of Zomedica Inc. See Exhibit 21.1 for a listing of all subsidiaries.

Changes in Macroeconomic Conditions

We are currently dealing with the aftermath of global changes in the macro-economic environment including disruptions in supply chain, labor disruptions,

challenges in manufacturing, COVID-19 related concerns, challenges selling to customers, declines in customer demand, inflationary pressures, rising interest rates, and an impaired ability to access credit and capital markets, among other things. There are uncertainties as to the outcome of current financial conditions, including recessionary environment or a contraction in the economy, which may impact overall consumer demand and supply requirements.

2. Basis of Preparation

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries. Intercompany transactions and balances between consolidated businesses have been eliminated.

The accounting policies set out below have been applied consistently in the consolidated financial statements. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, the unaudited consolidated financial statements include all normal recurring adjustments necessary to present fairly the information required to be set forth therein.

3. Significant Accounting Policies

Basis of Measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except as otherwise noted.

Business Combinations

We account for business combinations in accordance with ASC 805, Business Combinations, if the acquired assets assumed and liabilities incurred constitute a business. We consider acquired companies to constitute a business if the acquired net assets and processes have the ability to create outputs in the form of revenue. For acquired companies constituting a business, we recognize the identifiable assets acquired and liabilities assumed at their acquisition-date fair values and recognize any excess of total consideration paid over the fair value of the identifiable net assets as goodwill.

Estimates and Assumptions

In preparing these financial statements, management was required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. These estimates and assumptions are subject to an inherent degree of uncertainty. We are not presently aware of any events or circumstances that would require us to update such estimates and assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur, and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements.

Functional and Reporting Currencies

The functional currency as determined by management, for Canada and our subsidiaries in the United States and Switzerland is U.S. dollars, which is also our reporting currency.

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The functional currency, as determined by management, for our Japanese subsidiary is Japanese Yen. Japanese Yen are translated for financial reporting purposes with translation gains and losses recorded as a component of other comprehensive income or loss.

In respect of transactions denominated in currencies other than the Company and its wholly owned operating subsidiaries' functional currencies, the monetary assets and liabilities are remeasured at the period end rates. Revenue and expenses are measured at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these transactions are recognized in the consolidated statements of operations.

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Zomedica Corp.
Notes to the Consolidated Financial Statements
(United States Dollars in Thousands)

Comparative Figures

A portion of depreciation expense for the three and nine months ended September 30, 2023 has been stated as part of cost of revenue for $122 and $315 respectively. The consolidated statements of income and comprehensive loss for the three and nine months ended September 30, 2022 have been adjusted for $50 and $101 respectively for depreciation that was included in selling, general, and administrative expense. This amount has been reclassified to cost of revenue to conform to the current year presentation. The change in presentation had no effect on the reported results of operations and does not affect previously reported cash flows from operating activities in the consolidated statements of cash flows.

To better align with the way in which we measure and track our business, we have changed the categorization of products within our segmentation of revenue. A portion of the products in our Therapeutic Device segment were previously designated as instruments and trodes in our form 10Q for the period ending September 30, 2022 three months ended March 31, 2023. These products have since been renamed to be capital and consumables to better align with our other platforms and to provide a more consistent baseline for comparison of the product lines within. Capital refers to the devices we sell within our PulseVet®, Revo Squared®, TRUVIEW™ and VetGuardian® product lines. Consumables continues to include our TRUFORMA® cartridges as it did last year and now includes our PulseVet trodes as well as our Assisi® products. There have been no changes to the overall sales numbers for our Diagnostics and Therapeutic Device segments, only the product names making up the total.

To provide further clarity on the way in which we present our operating expenses, we have broken up our SG&A spend into distinct and separate General and Administrative and Selling and Marketing line items on the consolidated statements of income operations and comprehensive loss for the three and nine months ended September 30, 2023 March 31, 2024. The consolidated statements of income operations and comprehensive loss for the three and nine months ended September 30, 2022 March 31, 2023 have been adjusted to conform to the current year presentation of operating expenses. The change in presentation had no effect on the reported results of operations and does not affect previously reported cash flows from operating activities in the consolidated statements of cash flows.

To better align with the way in which we track our business, we've combined construction in progress into property and equipment, net for the three months ended March 31, 2024. The consolidated balance sheets for the year ended December 31, 2023 have been adjusted to conform to the current year presentation of property and equipment, net. The change in presentation had no effect on the reported results in our balance sheets and does not affect previously reported cash flows from investing activities in the consolidated statements of cash flows.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The key amendments include: (a) introduce a new requirement to disclose significant segment expenses regularly provided to the chief operating decision maker("CODM"), (b) extend certain annual disclosures to interim periods, (c) clarify single reportable segment entities must apply ASC 280 in its entirety, (d) permit more than one measure of segment profit or loss to be reported under certain conditions, and (e) require disclosure of the title and position of the CODM. This ASU is effective for public entities with fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is in the process of reviewing the impact of this ASU and has not yet determined the impact of the adoption of this ASU on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures. This ASU standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. This ASU is effective for public entities with fiscal years beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company is in the process of reviewing the impact of this ASU and has not yet determined the impact of the adoption of this ASU on its consolidated financial statements.

Segment Reporting

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments. The Company's reportable segments consist of Diagnostics and Therapeutic Devices.

Cash and Cash Equivalents

The Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. As of March 31, 2024 and 2023, the Company's balances exceeded federally insured limits by approximately $2,183 and $5,049.

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Investment Securities

Our investment securities, which are comprised of corporate bonds/notes and US treasuries, are accounted for in accordance with ASC 320, "Investments – Debt and Equity Securities" ("ASC 320"). The Company considers all of its securities for which there is a determinable fair market value, and there are no restrictions on the Company's ability to sell within the next twelve months, as available for sale. We classify these securities as both current and non-current depending on their time to maturity. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a component of comprehensive income (loss). loss.

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Accounts Receivable and Allowance for Credit Losses

Accounts receivable receivables are recorded net of an allowance for credit losses and have payment terms of 30 days. Our policy for determining the allowance is based on factors that affect collectability, including: (a) historical trends of write-offs, recoveries, and credit losses; (b) the credit quality of our customers; and (c) projected economic and market conditions. As of September 30, 2023, For the three months ended March 31, 2024 and 2023, our allowance was $79 allowances were $85 and was $47, respectively, and were recorded net in trade receivables. While we believe that our allowance for credit

losses is adequate and represents our best estimate as of September 30, 2023 March 31, 2024, we continue to closely monitor customer liquidity and industry and economic conditions, which may result in changes to these estimates.

Inventories

Inventories are stated at the lower of cost or net realizable value. The Company utilizes the specific identification and First in, First out ("FIFO") method to track inventory costs. The Company records reserves, when necessary, to reduce the carrying value of inventory to its net realizable value. Management considers forecast demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining excess and obsolescence and net realizable value adjustments. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Property and equipment acquired in a business combination are recorded at fair value as of the date of acquisition. Maintenance and repair expenditures that do not improve or extend the life are expensed in the period incurred.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Expenditures related to the planning and operation of the Company's website are expensed as incurred. Expenditures related to the website application and infrastructure development are capitalized and amortized over the website's estimated useful life.

Costs related to acquired customer relationships, developed technology, licenses, trademarks, and tradenames have been capitalized and amortized over the estimated useful life.
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the sum of estimated undiscounted future cash flows associated with the asset or group of assets is less than its carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

associated with the asset or group of assets is less than its carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value

Revenue Recognition

The Company enters into agreements which may contain multiple promises where customers purchase products, services, or a combination thereof. Determining whether products and services are considered distinct performance obligations that should be accounted for separately requires judgment. We determine the transaction price for a contract based on the total consideration we expect to receive in exchange for the transferred goods or services.

The Company allocates revenue to each performance obligation in proportion to the relative standalone selling prices and recognizes revenue when control of the related goods or services is transferred for each obligation. We utilize the observable standalone selling price when available, which represents the price charged for the performance obligation when sold separately.

The Company's contracts with customers are generally comprised of purchase orders for the sale of the point of care instrument, consumable products, and extended warranties, or some variation thereof. The instrument and consumables each represent a single performance obligation when sold separately, that is satisfied at a point in time upon transfer of control of the product to the customer which is typically upon receipt of the goods by the customer. The extended warranties are also a separate performance obligation, whereby revenue is recognized over time.

The Company also enters into contracts with customers where it receives payment for the consumable products and does not receive additional or separate consideration for the use of the point of care instrument furnished by the Company for the clinical veterinarian's use. For these contracts, the Company considers the guidance under ASC 842 in order to determine if the furnishing of the point of care instrument to the customer during the period of use creates an embedded lease. If the point of care instrument is identified as a lease, it is classified as an operating lease as it does not meet any of the finance lease criteria per ASC 842. In these arrangements, the consumable products are classified as non-lease components. The Company allocates revenue to these lease and non-lease components based on standalone selling prices or, if not available, a cost-plus approach. Revenue related to the lease component is recognized ratably over the term of the contract. Revenue related to the non-lease components is recognized when control of the product has been transferred to the customer.

The nature of the Company's PulseVet® business gives rise to variable consideration, including discounts and applicator ("trode") returns for refurbishment. Credits are issued for unused shocks on returned trodes, which can be used toward the purchase of replacement trodes. Discounts and the estimated unused shock credits decrease the transaction price, which reduces revenue. Variable consideration related to unused shock credits is estimated using the expected value method, which estimates the amount that is expected to be earned.

Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are based upon historical experience and known trends. These estimated credits are nonrefundable and may only be used towards the purchase of future trode refurbishments. This practice encourages refurbishment purchase prior to complete utilization of the previous trode, so the customer will always have a trode on hand with ample capacity to perform treatments.

At times, the Company receives consideration prior to when the performance obligation is completed, giving rise to a contract liability. Sales are recorded net of sales tax. Sales tax is charged on sales to end users and remitted to the appropriate state authority.

Disaggregated revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 is as follows:

	For the Three Months Ended September 30,						For the Nine Months Ended September 30,						For the Three Months Ended March 31,					
	Diagnostics		Therapeutic Devices		Consolidated		Diagnostics		Therapeutic Devices		Consolidated		Diagnostics		Therapeutic Devices		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Capital	$ 177	$ -	$1,673	$1,305	$1,850	$1,305	$ 461	$ -	$ 5,058	$ 4,407	$ 5,519	$ 4,407	$ 450	$ 217	$1,774	$1,493	$2,224	$1,710
Consumables	190	94	4,292	3,326	4,482	3,420	555	242	11,710	8,006	12,265	8,248	294	182	3,716	3,567	4,010	3,749
Other	-	-	15	51	15	51	-	-	65	118	65	118	-	-	28	23	28	23
Total revenue	**$ 367**	**$ 94**	**$5,980**	**$4,682**	**$6,347**	**$4,776**	**$1,016**	**$ 242**	**$16,833**	**$12,531**	**$17,849**	**$12,773**	**$ 744**	**$ 399**	**$5,518**	**$5,083**	**$6,262**	**$5,482**

Cost of Revenue

Cost of goods sold consists of overhead, materials, labor, shipping costs, and a portion of depreciation incurred internally to produce and receive the products. Shipping and handling costs incurred by the Company are included in cost of revenue.

Research and Development

Research and development costs related to continued research and development programs are expensed as incurred.

Stock-based Compensation

The Company calculates stock-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option using the graded vesting method. The provisions of the Company's stock-based compensation plans do not require the Company to settle any options by transferring cash or other assets, and therefore the Company classifies the awards as equity. Stock-based compensation expense recognized during the period is based on the value of stock-based payment awards that are ultimately expected to vest.

The Company estimates forfeitures at the time of grant and revises the estimate, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, on a tax jurisdictional basis. The Company files income tax returns in Canada and the province of Alberta and its subsidiaries file income tax returns in Switzerland, Japan, the United States and various states within, including in Michigan where the Company's headquarters are located.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and their financial statement reported amounts using enacted tax rates and laws in effect in the year in which the differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is determined to be more likely than not that the deferred tax asset will not be realized.

The Company assesses the likelihood of the financial statement effect of an uncertain tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date. The Company is subject to examination by taxing authorities in the United States, Canada, Japan, and Switzerland. The Company recognizes tax-related interest and penalties, if any, as a component separate from income tax expense.

Comprehensive Loss

The Company follows ASC topic 220. This statement establishes standards for reporting and display of comprehensive (loss) income loss and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity. The Company has recorded a currency translation adjustment associated with the translation of its Japanese subsidiary to the reporting currency.

Loss Per Share

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

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in accordance with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the

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circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the review revision affects both current and future periods.

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

Intangible Assets and Business Combinations

Assets acquired and liabilities assumed as part of a business combination are recognized at their acquisition date fair values. In determining these fair values, we utilize various forms of the income, cost, and market approaches depending on the asset or liability being valued.

We use a discounted cash flow model to measure the customer relationship, developed technology, license, trademark, and tradename assets. The estimation of fair value requires significant judgment related to future net cash flows based on assumptions related to revenue and EBITDA growth rates, discount rates, and attrition factors. Inputs are generally determined by taking into account competitive trends, market comparisons, independent appraisals, and historical data, among other factors, and are supplemented by current and anticipated market conditions.

Impairment Testing

We evaluate goodwill for impairment annually or more frequently when an event occurs or circumstances change indicating the carrying value may not be recoverable. When testing goodwill for impairment, we may first assess qualitative factors to determine if it is more likely than not the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, we consider the impact of changes, if any, to the following factors: macroeconomic, industry and market factors; cost factors; changes in overall financial performance; and any other relevant events and uncertainties impacting a reporting unit. If our qualitative assessment indicates a goodwill impairment is more likely than not, we perform additional quantitative analyses. We may also elect to skip the qualitative testing and proceed directly to the quantitative testing. For reporting units where a quantitative analysis is performed, we perform a test measuring the fair values of the reporting units and comparing them to their aggregate carrying values, including goodwill. If the fair value is less than the carrying value of the reporting unit, an impairment is recognized for the difference, up to the carrying amount of goodwill.

We estimate the fair values of our reporting units using a discounted cash flow method or a weighted combination of discounted cash flows and a market-based method. The discounted cash flow method includes assumptions about a wide variety of internal and external factors. Significant assumptions used in the discounted cash flow method include financial projections of free cash flow, including revenue trends, medical costs trends, operating productivity, income taxes and capital levels; long-term growth rates for determining terminal value beyond the discretely forecasted periods; and discount rates. Financial projections and long-term growth rates used for our reporting units will be consistent with, and use inputs from, our internal long-term business plan and strategies.

Discount rates will be determined for each reporting unit and include consideration of the implied risk inherent in their forecasts. Our most significant estimate in the discount rate determinations involves our adjustments to the peer company weighted average costs of capital reflecting reporting unit-specific factors. We do not make any adjustments to decrease a discount rate below the calculated peer company weighted average cost of capital for any reporting unit. Company-specific adjustments to discount rates are subjective and thus are difficult to measure with certainty.

The passage of time and the availability of additional information regarding areas of uncertainty with respect to the reporting units' operations could cause these assumptions to change in the future. Additionally, as part of our quantitative impairment testing, we perform various sensitivity analyses on certain key assumptions, such as discount rates, cash flow projections, and peer company multiples to analyze the potential for a material impact. The market-based method requires determination of an appropriate peer group whose securities are traded on an active market. The peer group is used to derive market multiples to estimate fair value.

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Valuation and Payback of Property and Equipment

Diagnostic based TRUFORMA® capital is placed in fixed assets once purchased or manufactured, where they remain, undepreciated, until they are placed with our customers under the agreement that they will repeatedly purchase consumables or services which are utilized within. Each instance of this placed capital represents an asset that we own. An estimate is made of the anticipated future revenue over its respective life which is ten years. If the payback period of the initial investment in the asset is less than the ten-year life of the asset, we conclude that the assets have been properly recorded, and no write-down is necessary. We rely on third-party data that considers various data points and assumptions, including, but not limited to, the expected volume of consumables which will be sold, anticipated growth rates, and anticipated placements. Realization of the anticipated revenue is dependent on the current assumptions and forecasted models.

Zomedica Corp.

Notes to the Consolidated Financial Statements

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Revenue Recognition and Liabilities Due to Customers

The nature of the Company's business gives rise to variable consideration, including discounts and applicator ("trode") returns for refurbishment. Credits are issued for unused shocks on returned trodes, which can be used toward the purchase of replacement trodes. Discounts and the estimated unused shock credits decrease the transaction price, which reduces revenue. Variable consideration related to unused shock credits is estimated using the expected value method, which estimates the amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends. These estimated credits are non-refundable and may only be used towards the purchase of future trode refurbishments. This practice encourages refurbishment purchase prior to complete utilization of the previous trode, so the customer will always have a trode at hand with ample capacity to perform treatments.

5. Investment Securities

The following represents the Company's investment securities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

Balance at September 30, 2023	Acquisition Cost	Accretion / (Amortization)	Unrealized Gain / (Loss)	Estimated Fair Value
Balance at March 31, 2024				
Commercial paper	$ 13,870	$ 148	$ (20)	$ 13,998
Corporate notes / bonds	43,828	512	(303)	44,037
Money market funds	5,042	-	-	5,042
U.S. govt. agencies	28,418	83	(135)	28,366
U.S. treasuries	10,702	185	(83)	10,804
Total investment securities	**$ 101,860**	**$ 928**	**$ (541)**	**$ 102,247**

	Acquisition Cost	Accretion / (Amortization)	Unrealized Gain / (Loss)	Estimated Fair Value
Balance at March 31, 2024				
Commercial paper	$ 24,983	$ 527	$ (26)	$ 25,484
Corporate notes / bonds	39,077	349	(70)	39,356
Money market funds	5,133	-	-	5,133
U.S. govt. agencies	9,080	152	(18)	9,214
U.S. treasuries	7,467	184	(21)	7,630
Total investment securities	**$ 85,740**	**$ 1,212**	**$ (135)**	**$ 86,817**

Balance at December 31, 2022	Acquisition Cost	Accretion / (Amortization)	Unrealized Gain / (Loss)	Estimated Fair Value
Balance at December 31, 2023				
Commercial paper	$ 30,634	$ 471	$ (139)	$ 30,966
Corporate notes / bonds	44,115	192	(547)	43,760
Debt security	1,000	-	-	1,000
Money market funds	10,196	-	-	10,196
U.S. govt. agencies	46,223	85	(230)	46,078
U.S. treasuries	15,629	99	(145)	15,583
Total investment securities	**$ 147,797**	**$ 847**	**$ (1,061)**	**$ 147,583**

	Acquisition Cost	Accretion / (Amortization)	Unrealized Gain / (Loss)	Estimated Fair Value
Balance at December 31, 2023				
Commercial paper	$ 15,681	$ 285	$ 20	$ 15,986
Corporate notes / bonds	45,954	614	(75)	46,493
Money market funds	5,374	-	-	5,374
U.S. govt. agencies	18,076	122	(33)	18,165
U.S. treasuries	10,282	156	(36)	10,402
Total investment securities	**$ 95,367**	**$ 1,177**	**$ (124)**	**$ 96,420**

Accretion / (amortization) refers to the discounts and premiums incurred on bonds and notes purchased and are included within interest income on our consolidated income statement.

Accrued interest receivable, related to the above investment securities, amounted to $693 as of September 30, 2023 $521 and is $690 for the three months ended March 31, 2024 and 2023 and are included within Other Receivables on our consolidated balance sheets.

Contractual maturities of investment securities as of September 30, 2023 are as follows (in thousands):

	Acquisition Cost	Estimated Fair Value
Original maturities of 90 days or less	$ 6,036	$ 6,036
Original maturities of 91-365 days	84,001	84,424
Original maturities of 366+ days	11,823	11,787
Total investment securities	**$ 101,860**	**$ 102,247**

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(United States Dollars in Thousands)

Contractual maturities of investment securities as of March 31, 2024 are as follows (in thousands):

	Acquisition Cost	Estimated Fair Value
Original maturities of 90 days or less	$ 6,824	$ 6,830
Original maturities of 91-365 days	70,926	72,023
Original maturities of 366+ days	7,990	7,964
Total investment securities	**$ 85,740**	**$ 86,817**

6. Fair Value Measurements

In accordance with FASB ASC 820, “Fair Value Measurements and Disclosures,” (“ASC 820”), the Company measures its cash and cash equivalents and investments at fair value on a recurring basis. The Company also measures certain assets and liabilities at fair value on a non-recurring basis when applying acquisition accounting.

ASC Topic 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering such assumptions, ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1 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 related assets or liabilities.

Level 3: Unobservable data points for the assets or liability, and include situations where there is little, if any, market activity for the asset or liability. Valuations based on inputs that are unobservable and involve management judgement and the reporting entity’s own assumptions about market participants and pricing.

Cash and cash equivalents, accounts receivable, and accounts payable: The carrying amount of these assets approximate fair value due to the short maturity of these instruments. Cash and cash equivalents include marketable securities with an original maturity within 90 days.

Available-for-sale securities: The Company classifies marketable securities and other highly liquid investments, with a maturity of greater than three months and that can be readily purchased or sold using established markets, as available-for-sale. These investments are reported at fair value on the Company's consolidated balance sheets and unrealized gains and losses are reported as a component of shareholders' equity.

*Earnout liability:*The Company has reported the fair value of the earnout liability within other liabilities on the consolidated balance sheet. See footnote 7 for additional details.

In accordance with the fair value hierarchy described above, the following table shows the fair value of our investments as of September 30, 2023 and December 31, 2022:

Balance at September 30, 2023	Level 1	Level 2	Level 3	Estimated Fair Value
Commercial paper	$ -	$ 13,998	$ -	$ 13,998
Corporate notes / bonds	-	44,037	-	44,037
Money market funds	5,042	-	-	5,042
U.S. govt. agencies	28,366	-	-	28,366
U.S. treasuries	10,804	-	-	10,804
Total investment securities	**$ 44,212**	**$ 58,035**	**$ -**	**$ 102,247**

Balance at December 31, 2022	Level 1	Level 2	Level 3	Estimated Fair Value
Commercial paper	$ -	$ 30,966	$ -	$ 30,966
Corporate notes / bonds	-	43,760	-	43,760
Debt security	-	-	1,000	1,000
Money market funds	10,196	-	-	10,196
U.S. govt. agencies	46,078	-	-	46,078
U.S. treasuries	15,583	-	-	15,583
Total investment securities	**$ 71,857**	**$ 74,726**	**$ 1,000**	**$ 147,583**

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In accordance with the fair value hierarchy described above, the following table shows the fair value of our investments as of March 31, 2024 and December 31, 2023:

Balance at March 31, 2024	Level 1	Level 2	Level 3	Estimated Fair Value
Commercial paper	$ -	$ 25,484	$ -	$ 25,484
Corporate notes / bonds	-	39,356	-	39,356
Money market funds	5,133	-	-	5,133
U.S. govt. agencies	9,214	-	-	9,214
U.S. treasuries	7,630	-	-	7,630
Total investment securities	**$ 21,977**	**$ 64,840**	**$ -**	**$ 86,817**

Balance at December 31, 2023	Level 1	Level 2	Level 3	Estimated Fair Value
Commercial paper	$ -	$ 15,986	$ -	$ 15,986
Corporate notes / bonds	-	46,493	-	46,493
Money market funds	5,374	-	-	5,374
U.S. govt. agencies	18,165	-	-	18,165
U.S. treasuries	10,402	-	-	10,402
Total investment securities	**$ 33,941**	**$ 62,479**	**$ -**	**$ 96,420**

The following table tables shows our investments as of September 30, 2023 March 31, 2024 and December 31, 2023 and their respective balance sheet classifications:

	Cash & Cash Equiv.	Available-For-Sale (Current)	Available-For-Sale (Non-Current)	Estimated Fair Value				
Balance at March 31, 2024					**Cash & Cash Equiv.**	**Available-For-Sale (Current)**	**Available-For-Sale (Non-Current)**	**Estimated Fair Value**
Commercial paper	$ 994	$ 13,004	$ -	$ 13,998	$ -	$ 25,484	$ -	$ 25,484
Corporate notes / bonds	-	34,236	9,801	44,037	-	31,392	7,964	39,356
Money market funds	5,042	-	-	5,042	5,133	-	-	5,133
U.S. govt. agencies	-	26,380	1,986	28,366	-	9,214	-	9,214
U.S. treasuries	-	10,804	-	10,804	1,697	5,933	-	7,630
Total investment securities	**$ 6,036**	**$ 84,424**	**$ 11,787**	**$ 102,247**	**$ 6,830**	**$ 72,023**	**$ 7,964**	**$ 86,817**

Balance at December 31, 2023	Cash & Cash Equiv.	Available-For-Sale (Current)	Available-For-Sale (Non-Current)	Estimated Fair Value
Commercial paper	$ -	$ 15,986	$ -	$ 15,986
Corporate notes / bonds	-	36,973	9,520	46,493
Money market funds	5,374	-	-	5,374
U.S. govt. agencies	-	17,680	485	18,165
U.S. treasuries	3,496	6,906	-	10,402
Total investment securities	**$ 8,870**	**$ 77,545**	**$ 10,005**	**$ 96,420**

Unrealized gains on our investments have not been recorded into income as we do not intend to sell nor is it more likely than not that we will be required to sell these investments prior to recovery of their amortized cost basis. The decline in fair value of our debt securities is largely due to the rising interest rate environment driven by current market conditions that have resulted in higher credit spreads. The credit ratings associated with our debt securities are mostly unchanged, are highly rated, and the debtors continue to make timely principal and interest payments. As a result, there were no credit or non-credit impairment charges recorded through September 30, 2023 March 31, 2024.

7. Business Combinations

All of the Company's acquisitions of businesses have been accounted for under ASC 805, Business Combinations. Accordingly, the assets of the acquired companies reflect the fair values and have been included in the Company's Condensed Financial Statements from their respective dates of acquisition.

The results of operations of Revo Squared LLC, Assisi Animal Health, LLC, and Structured Monitoring Products, Inc, and Qorvo Biotechnologies, LLC have been included in the Company's Condensed Financial Statements since the dates of acquisition on June 14, 2022, July 15, 2022, September 4, 2023, and September 4, 2023 October 4, 2023 respectively.

2022 Acquisitions

Asset Purchase Agreement with Revo Squared LLC

On June 14, 2022, Zomedica Corp. and its wholly owned subsidiary Zomedica Inc. entered into an Asset Purchase Agreement with Revo Squared LLC ("Revo Squared") and its majority member pursuant to which Zomedica Inc. agreed to acquire substantially all of the assets of Revo Squared. Revo Squared, based in Marietta, Georgia, was in the business of developing, manufacturing, marketing, distributing, and selling diagnostic imaging products and services for use in animal health, including its SuperView™, Sonoview™ Color ultrasound, Sonoview Mini/Mini Plus ultrasound, and Microview™ product offerings.

On July 1, 2022, the parties consummated the acquisition. At the closing, Zomedica Inc. paid Revo Squared a base purchase price of $6,011 in cash, which was subject to adjustments based on the amount of Revo Squared's working capital at the closing. On this date, $500 of the purchase price was deposited into a third-party escrow account for a period of fifteen months to support Revo Squared's indemnification obligation under the Purchase Agreement. No indemnification claims were made during this period resulting in the $500 being released from the escrow to the seller. The Company also issued to Revo Squared a ten-year warrant to purchase an aggregate of 10,000,000 of the Company's common shares at a per share exercise price equal to $0.2201. The warrants may be exercised on a cash or cashless basis, at the election of the warrant holder.

In addition, Zomedica Inc. has agreed to pay Revo Squared aggregate earn-out payments ranging from $0 to $4,000 based on the achievement of milestones related to future net sales from Revo Squared Products. One-time earn-out payments of $2,000 each will be payable upon net sales from Revo Squared Products exceeding $5,000 and $10,000 during any calendar year ending on or prior to December 31, 2027. The fair value of the earnout liability was adjusted from $2,000 to $540 at March 31, 2024. Fair value of the earnout was determined using Level 3 inputs.

As a result of total consideration exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of $6,528 was recorded in connection with this acquisition, which will be deductible for US tax purposes. The goodwill largely results from our ability to market and sell their respective products and services through our established customer base.

The Company finalized the allocation of the purchase price for Revo Squared as of the acquisition date based on its understanding of the fair value of the acquired assets and assumed liabilities.

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The final allocation of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, is as follows:

	Initial Allocation of Consideration	Measurement Period Adjustments	Updated Allocation
Trade receivables, net	$ 8	$ —	$ 8
Prepaid expenses and deposits	10	—	10

Intangible Assets (estimated useful life)			
Trade name (5 years)	200	—	200
Developed technology (10 years)	2,300	—	2,300
Customer relationships (16 years)	1,200	—	1,200
Total assets acquired	**3,718**	**—**	**3,718**
Earnout liabilities	2,458	(458)	2,000
Total liabilities assumed	**2,458**	**(458)**	**2,000**
Net assets acquired, excluding goodwill	1,260	458	1,718
Goodwill	6,528	(458)	6,070
Net assets acquired	**$ 7,788**	**$ —**	**$ 7,788**

Purchase price consideration was made up of the following:

Cash	$ 6,011
Fair value of warrants	1,777
Total	**$ 7,788**

Asset Purchase Agreement with Assisi Animal Health Revo Squared LLC

On July 15, 2022 June 14, 2022, Zomedica Corp. and its wholly owned subsidiary Zomedica Inc. entered into an Asset Purchase Agreement with Assisi Animal Health Revo Squared LLC ("Assisi" Revo Squared"), and its wholly owned subsidiary, AAH Holdings LLC, and certain of Assisi's members (collectively the "Seller") majority member pursuant to which Zomedica Inc. agreed to acquire substantially all of the assets related to the Assisi® product lines. The Sellers were of Revo Squared. Revo Squared, based in Marietta, Georgia, was in the business of developing, manufacturing, marketing, distributing, and selling diagnostic imaging products and services for use in animal health, products which use targeted Pulsed Electromagnetic Field (PEMF) therapy to decrease pain including its SuperView™, Sonoview™ Color ultrasound, Sonoview Mini/Mini Plus ultrasound, and inflammation, accelerate healing, and reduce anxiety that include Microview™ product offerings.

On July 1, 2022, the Assisi Loop®, Assisi Loop Lounge®, Assisi DentaLoop® and Calmer Canine® product lines.

parties consummated the acquisition. At the closing, Zomedica Inc. paid Assisi Revo Squared a base purchase price of $18,293 $6,011 in cash, which was subject to adjustments based on among other things, the value amount of Assisi's inventory and prepaid expenses Revo Squared's working capital at the closing of the acquisition. A portion closing. On this date, $500 of the purchase price ($1,400) was deposited into a third-party escrow account for a period of fifteen months to support AAH Holdings LLC and certain of Assisi's members' Revo Squared's indemnification obligation under the Purchase Agreement, of which Agreement. No indemnification claims were made during this period resulting in the $500 was being released and $900 will be distributed from the escrow to Assisi on the 18-month anniversary of the Closing Date, respectively, less the amount of prior or pending indemnification claims. seller. The Company also issued to Assisi Revo Squared a ten-year warrant to purchase an aggregate of 22,000,000 10,000,000 of the Company's common shares at a per share exercise price equal to $0.252. $0.2201. The warrants may be exercised on a cash or cashless basis, at the election of the warrant holder.

In addition, Zomedica Inc. has agreed to pay Revo Squared aggregate earn-out payments ranging from $0 to $4,000 based on the achievement of milestones related to future net sales from Revo Squared Products. One-time earn-out payments of $2,000 each will be payable upon net sales from Revo Squared Products exceeding $5,000 and $10,000 during any calendar year ending on or prior to December 31, 2027. The fair value of the earnout liability was adjusted from $2,000 to $540 at March 31, 2024. Fair value of the earnout was determined using Level 3 inputs.

As a result of total consideration exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of $14,329 $6,528 was recorded in connection with this acquisition, which will be deductible for US tax purposes. The goodwill largely results from our ability to market and sell their respective products and services through our established customer base.

The Company finalized the allocation of the purchase price for Assisi Revo Squared as of the acquisition date based on its understanding of the fair value of the acquired assets and assumed liabilities.

Zomedica Corp.

Notes to the Consolidated Financial Statements

(United States Dollars in Thousands)

The final allocation of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, is as follows:

	Initial Allocation of Consideration	Measurement Period Adjustments	Updated Allocation	Initial Allocation of Consideration	Measurement Period Adjustments	Updated Allocation
Inventory, net	$ 220	$ —	$ 220			
Trade receivables, net				$ 8	$ —	$ 8
Prepaid expenses and deposits	271	—	271	10	—	10
Other receivables	406	(206)	200			
Right of use asset	—	260	260			
Intangible Assets (estimated useful life)						
E-commerce technology (2 years)	200	—	200			
Trade name (5 years)	300	—	300	200	—	200
Developed technology (10 years)	4,500	—	4,500	2,300	—	2,300
Customer relationships (19 years)	2,800	—	2,800			
Customer relationships (16 years)				1,200	—	1,200
Total assets acquired	**8,697**	**54**	**8,751**	**3,718**	**—**	**3,718**
Current portion of lease obligations	—	49	49			
Non current portion of lease obligations	—	211	211			
Other non current liabilities	45	—	45			
Earnout liabilities				2,458	(458)	2,000
Total liabilities assumed	**45**	**260**	**305**	**2,458**	**(458)**	**2,000**
Net assets acquired, excluding goodwill	8,652	(206)	8,446	1,260	458	1,718
Goodwill	14,329	206	14,535	6,528	(458)	6,070
Net assets acquired	**$ 22,981**	**$ —**	**$ 22,981**	**$ 7,788**	**$ —**	**$ 7,788**

Purchase price consideration was made up of the following:

Cash	$ 18,293	$ 6,011
Fair value of warrants	4,688	1,777
Total	**$ 22,981**	**$ 7,788**

Asset Purchase Agreement with Revo Squared LLC

On June 14, 2022, Zomedica Corp. and its wholly owned subsidiary Zomedica Inc. entered into an Asset Purchase Agreement with Revo Squared LLC ("Revo Squared") and its majority member pursuant to which Zomedica Inc. agreed to acquire substantially all of the assets of Revo Squared. Revo Squared, based in Marietta, Georgia, was in the business of developing, manufacturing, marketing, distributing, and selling diagnostic imaging products and services for use in animal health, including its SuperView™, Sonoview™ Color ultrasound, Sonoview Mini/Mini Plus ultrasound, and Microview™ product offerings.

On July 1, 2022, the parties consummated the acquisition. At the closing, Zomedica Inc. paid Revo Squared a base purchase price of $6,011 in cash, which was subject to adjustments based on the amount of Revo Squared's working capital at the closing. On this date, $500 of the purchase price was deposited into a third-party escrow account for a period of fifteen months to support Revo Squared's indemnification obligation under the Purchase Agreement. No

(United States Dollars in Thousands)

indemnification claims were made during this period resulting in the $500 being released from the escrow to the seller. The Company also issued to Revo Squared a ten-year warrant to purchase an aggregate of 10,000,000 of the Company's common shares at a per share exercise price equal to $0.2201. The warrants may be exercised on a cash or cashless basis, at the election of the warrant holder.

In addition, Zomedica Inc. has agreed to pay Revo Squared aggregate earn-out payments of up ranging from $0 to $4,000 based on the achievement of milestones related to future net sales from Revo Squared Products. One-time earn-out payments of $2,000 each will be payable upon net sales from Revo Squared Products exceeding $5,000 and $10,000 during any calendar year ending on or prior to December 31, 2027. The fair value of the earnout liability was adjusted from $2,000 to $1,070 $540 at September 30, 2023 March 31, 2024. Fair value of the earnout was determined using Level 3 inputs.

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As a result of total consideration exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of $6,528 was recorded in connection with this acquisition, which will be deductible for US tax purposes. The goodwill largely results from our ability to market and sell their respective products and services through our established customer base.

The Company finalized the allocation of the purchase price for Revo Squared as of the acquisition date based on its understanding of the fair value of the acquired assets and assumed liabilities.

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The final allocation of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, is as follows:

	Initial Allocation of Consideration	Measurement Period Adjustments	Updated Allocation
Trade receivables, net	$ 8	$ —	$ 8
Prepaid expenses and deposits	10	—	10
Intangible Assets (estimated useful life)			
Trade name (5 years)	200	—	200
Developed technology (10 years)	2,300	—	2,300
Customer relationships (16 years)	1,200	—	1,200
Total assets acquired	**3,718**	**—**	**3,718**
Earnout liabilities	2,458	(458)	2,000

(United States Dollars in Thousands)

Total liabilities assumed	**2,458**	**(458)**	**2,000**
Net assets acquired, excluding goodwill	1,260	458	1,718
Goodwill	6,528	(458)	6,070
Net assets acquired	**$ 7,788**	**$ —**	**$ 7,788**

Purchase price consideration was made up of the following:

Cash	$ 6,011
Fair value of warrants	1,777
Total	**$ 7,788**

Asset Purchase Agreement with Assisi Animal Health LLC

On July 15, 2022, Zomedica Corp. and its wholly owned subsidiary Zomedica Inc. entered into an Asset Purchase Agreement with Assisi Animal Health LLC ("Assisi"), its wholly owned subsidiary, AAH Holdings LLC, and certain of Assisi's members (collectively the "Seller") pursuant to which Zomedica Inc. agreed to acquire substantially all of the assets related to the Assisi® product lines. The Sellers were in the business of developing, manufacturing, marketing, distributing and selling animal health products which use targeted Pulsed Electromagnetic Field (PEMF) therapy to decrease pain and inflammation, accelerate healing, and reduce anxiety that include the Assisi Loop®, Assisi Loop Lounge®, Assisi DentaLoop® and Calmer Canine® product lines.

Zomedica Inc. paid Assisi a purchase price of $18,293 in cash, which was subject to adjustments based on, among other things, the value of Assisi's inventory and prepaid expenses at the closing of the acquisition. A portion of the purchase price ($1,400) was deposited into a third-party escrow account. The balance of the escrow account was released to seller on the 18-month anniversary of the Closing Date as there were no indemnification claims. The Company also issued to Assisi a ten-year warrant to purchase an aggregate of 22,000,000 of the Company's common shares at a per share exercise price equal to $0.252. The warrants may be exercised on a cash or cashless basis, at the election of the warrant holder.

As a result of total consideration exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of $14,329 was recorded in connection with this acquisition, which will be deductible for US tax purposes. The goodwill largely results from our ability to market and sell their respective products and services through our established customer base.

The Company finalized the allocation of the purchase price for Assisi as of the acquisition date based on its understanding of the fair value of the acquired assets and assumed liabilities.

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The final allocation of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, is as follows:

	Initial Allocation of Consideration	Measurement Period Adjustments	Updated Allocation
Inventory, net	$ 220	$ —	$ 220

(United States Dollars in Thousands)

Prepaid expenses and deposits	271	—	271
Other receivables	406	(206)	200
Right of use asset	—	260	260
Intangible Assets (estimated useful life)			
E-commerce technology (2 years)	200	—	200
Trade name (5 years)	300	—	300
Developed technology (10 years)	4,500	—	4,500
Customer relationships (19 years)	2,800	—	2,800
Total assets acquired	**8,697**	**54**	**8,751**
Current portion of lease obligations	—	49	49
Non current portion of lease obligations	—	211	211
Other non current liabilities	45	—	45
Total liabilities assumed	**45**	**260**	**305**
Net assets acquired, excluding goodwill	8,652	(206)	8,446
Goodwill	14,329	206	14,535
Net assets acquired	**$ 22,981**	**$ —**	**$ 22,981**

Purchase price consideration was made up of the following:

Cash	$ 18,293
Fair value of warrants	4,688
Total	**$ 22,981**

2023 Acquisitions

Stock Purchase Agreement with Structured Monitoring Products, Inc.

On September 4, 2023, Zomedica Inc., a wholly owned subsidiary of Zomedica Corp. (the “Company”), entered into a Stock Purchase Agreement with Structured Monitoring Products, Inc. pursuant to which Zomedica Inc. acquired 100% of the capital stock of Structured Monitoring Products, Inc., a Florida corporation (“SMP”). SMP is the maker of VetGuardian®, a zero-touch vital signs remote monitoring system that improves the quality of care for pets during recovery from surgery and for those staying in clinic overnight. The system provides real-time remote monitoring of the pet’s vital signs with the ability to alert staff if the vital signs fall outside preset ranges (the “Acquisition”). The Acquisition was consummated on September 5, 2023.

In connection with the Acquisition, the Company converted $2,750 in convertible debt and accrued interest of $171 owed by SMP to the Company into equity totaling 28.7% outstanding equity of SMP, which has an implied value of $5,095 based upon the SMP’s enterprise value of $18,000. Zomedica paid a purchase price of $12,952 for the balance of 71.3% equity of SMP. The cash purchase price was funded through a $250 deposit previously paid to SMP and $12,702 of cash on hand. At closing, Zomedica deposited $1,295 into escrow, which will be in escrow. $215 was released to the parties following the closing, based on any at 90 days as there were no adjustments to the purchase price for net working capital, cash, indebtedness, and transaction expenses expenses. The remaining balance will be released 18 months following the date of SMP. closing less the amount of any pending or prior indemnification claims.

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As a result of total consideration exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of $9,796 was recorded in connection with the Acquisition, none of which will be deductible for U.S tax purposes. The goodwill is mainly attributable to skills and technical talent of SMP's work force and the synergies expected to be achieved from integrating SMP into the Company's existing business.

The previously held equity interests were remeasured to its fair value as of the acquisition date. The Company computed the fair value based upon the SMP's enterprise value of $18,000 and the fair value of previously held 28.7% equity interests were determined to be $5,095. The Company recognized an amount of $2,174 as a gain on the fair valuation of Company's previously held equity interest in SMP and is was included in Other other income (loss) in the accompanying our Form 10-K as part of our consolidated statements of operations and comprehensive loss for the period ended September 30, 2023 December 31, 2023.

The following table summarizes the fair value amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

	Initial Allocation of Consideration
Cash and cash equivalents	$ 42
Trade receivables, net(1)	11
Inventory, net	316
Other receivables	1
Intangible assets (estimated useful life)	
Developed technology (10 years)	9,400
Non-competition agreement (3 years)	200
Total assets acquired	**9,970**
Accounts payable	6
Deferred tax liabilities	1,713
Total liabilities assumed	**1,719**
Net assets acquired, excluding goodwill	8,251
Goodwill	9,796
Net assets acquired	**$ 18,047**

(1) The "trade receivables, net" comprise gross contractual amounts due of $11, of which no amounts were expected to be uncollectable at the date of acquisition.

The Company evaluated the disclosure requirements under ASC 805 and determined SMP was not considered a material business combination for purposes of disclosing the earnings of SMP since the date of acquisition and supplemental pro forma information.

Purchase price consideration was made up of the following:

Cash	$	12,702
Fair value of previously held interest		5,095
Prepaid deposits		250
Net assets acquired	**$**	**18,047**
Cash	$	12,702
Less: cash acquired		(42)
Investment in acquisitions, net of cash acquired	**$**	**12,660**

The determination of the final purchase price allocation to specific assets, primarily intangibles, is incomplete and may change in future periods.

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Zomedica Corp.
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LLC Membership Interest Purchase Agreement for the Acquisition of Qorvo Biotechnologies, LLC

On October 4, 2023, Zomedica Inc., a wholly owned subsidiary of Zomedica Corp. (the "Company"), entered into an LLC Membership Interest Purchase Agreement with Qorvo US, Inc. ("Qorvo") pursuant to which Zomedica Inc. acquired 100% of the membership interests of Qorvo Biotechnologies, LLC, a Delaware limited liability company ("QBT") from Qorvo. QBT develops the TRUFORMA® Platform that utilizes innovative Bulk Acoustic Wave sensor technology to provide a non-optical and fluorescence free system for the detection of disease at the point of care (the "Acquisition"). The Acquisition was consummated on October 4, 2023.

Zomedica paid Qorvo a purchase price of $7,646, which comprised of cash of $11,300 and settlement of pre-existing relationship of $3,654. The cash purchase price was funded through the cash on hand.

The following table summarizes the fair value amounts of identifiable assets acquired and liabilities assumed is incomplete. at the acquisition date:

	Initial Allocation of Consideration
Inventory, net	$ 1,674
Other receivables	52
Property and equipment, net	6,495
Right-of-use asset	1,202
Other assets	19
Total assets acquired	**9,442**
Accounts payable and accrued liabilities	594
Current portion of lease obligations	249
Lease obligations	953
Total liabilities assumed	**1,796**
Net assets acquired, excluding goodwill	7,646
Net assets acquired	**$ 7,646**

The Company incurred $499 thousand in acquisition costs that were expensed in the period incurred and are included in general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss.

The Company evaluated the disclosure requirements under ASC 805 and determined QBT was not considered a material business combination for purposes of disclosing the earnings of QBT since the date of acquisition and supplemental pro forma information.

Purchase price consideration was made up of the following:

Cash	$ 11,300
Settlement of pre-existing relationship[1]	(3,654)

Total	**$**	**7,646**

(1) The Company had entered into a Development and Manufacturing License Agreement with QBT on January 17, 2023 and the Company had an intangible asset and liability balance of $6,945 and $3,654, respectively as of the acquisition date related to this agreement. The effect of the pre-existing liability (i.e., $3,654) is included in the consideration transferred.

The determination of the final purchase price allocation to specific assets, primarily fixed assets, is incomplete and may change in future periods as in the fair value estimates event that the intended uses of the assets (including intangibles) change as we continue to deploy and liabilities are adjusted. integrate operations.

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Zomedica Corp.

Notes to the Consolidated Financial Statements

(United States Dollars in Thousands)

8. Inventory

	September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2	
	Diagnostics	Therapeutic Devices	Consolidated	Diagnostics	Therapeutic Devices	Consolidated	Diagnostics	Therapeutic Devices	Consolidated	Diagnostics	Therapeutic Devices
Raw materials	$ 462	$ 2,239	$ 2,701	$ —	$ 1,685	$ 1,685	$ 1,659	$ 1,940	$ 3,599	$ 1,801	$ 2,026
Finished goods	220	276	496	—	182	182	74	451	525	141	256
Purchased inventory	218	350	568	139	780	919	330	628	958	331	617
Total	**900**	**2,865**	**3,765**	**139**	**2,647**	**2,786**	**2,063**	**3,019**	**5,082**	**2,273**	**2,899**
Reserves	(6)	(22)	(28)	(18)	(22)	(40)	(20)	—	(20)	(49)	—
Net inventory	**$ 894**	**$ 2,843**	**$ 3,737**	**$ 121**	**$ 2,625**	**$ 2,746**	**$ 2,043**	**$ 3,019**	**$ 5,062**	**$ 2,224**	**$ 2,899**

9. Prepaid Expenses and Deposits

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Deposits	$ 1,888	$ 1,886	$ 550	$ 919
Prepaid marketing	193	114	190	259
Prepaid insurance	520	614	258	436
Prepaid taxes	—	753		
Other	515	620	861	700
Total prepaid expenses and deposits	**$ 3,116**	**$ 3,987**	**$ 1,859**	**$ 2,314**

10. Property and Equipment

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Machinery and office equipment	$ 8,345	$ 6,487	$ 9,721	$ 9,142
Furniture and equipment	120	111	224	224
Laboratory equipment	365	249	969	1,073
Leasehold improvements	1,239	1,239	1,962	1,953
Construction in progress			13,373	12,481
	10,069	**8,086**	**26,249**	**24,873**
Accumulated depreciation and amortization	1,810	1,277	2,278	2,045
Net property and equipment	**$ 8,259**	**$ 6,809**	**$ 23,971**	**$ 22,828**

Depreciation expense for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $538 $334 and $270, $164, respectively.

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Zomedica Corp.

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(United States Dollars in Thousands)

11. Intangible Assets

	September 30, 2023	December 31, 2022
Computer software	$ 1,728	$ 350
Customer relationships	26,849	26,651
Licenses	8,042	-
Technology	25,050	15,650
Trademarks	16	16
Tradename	2,850	2,850
Website	962	962
	65,497	**46,479**
Accumulated amortization	8,569	4,680
Net intangibles	**$ 56,928**	**$ 41,799**

Included within intangibles are Qorvo related licenses of $7,479 comprised of a one-time license fee of $4,000 that was paid on the effective date of the agreement and the discounted value of an obligation to make a second $4,000 payment upon completion of the installation qualification process for a cartridge production line. The liability associated with the second payment is being recorded in the “Liability Due to Qorvo” line in our Condensed Consolidated Balance Sheets.

In addition, included within intangibles are $563 in licenses associated with future exclusivity to sell products should we determine that they have both market viability and are a complementary fit within our suite of offerings. As these relationships are still in the exploratory phase with no revenue stream to match expenses against nor a guarantee that this exclusivity will ever be used, we are considering these to be indefinite lived as of September 30, 2023. This

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accounts for the difference between the net intangibles as found within our consolidated balance sheets and the amortization table below. We will continue to assess the commercialization status and relationship with these companies on a quarterly basis and will adjust our amortization schedules accordingly.

The estimated future amortization of intangible assets is as follows:

2023	$	1,578
2024		6,259
2025		6,095
2026		5,632
2027 and beyond		36,801
Total	**$**	**56,365**

Amortization expense for the nine months ended September 30, 2023 and 2022 was $3,890 and $2,540, respectively.

12. Leases

On April 1, 2022, the Company entered into an agreement with ULF Northfield Business Center LLC to lease 12,400 square feet of office and warehouse space. The lease period is for sixty-one months beginning on April 1, 2022, with a monthly rent payment of $9 for the first twelve months and escalating to $11 per month over the lease period. The Company recorded a right-of-use asset and corresponding lease liability for $546 using an incremental borrowing rate of 3.95%.

On July 1, 2022, as part of the Revo Squared Purchase, the Company assumed an agreement with Lebow 1031 Legacy, LLC to lease 4,626 square feet of office space. The remaining lease period assumed at the time of the agreement is for eighteen months beginning on July 1, 2022 and lasting through December of 2023. The lease has a monthly rent payment of $4 per month over the lease period. The Company recorded a right-of-use asset and corresponding lease liability for $67 using an incremental borrowing rate of 7.00%.

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On July 15, 2022, as part of the Assisi asset purchase agreement, the Company assumed a license agreement pursuant to a lease agreement between The Wheelership LLC and The Realty Associates Fund XII portfolio, L.P., whereby Assisi sublet 5,185 square feet of warehousing space. The remaining lease period assumed at the time of the agreement is for fifty-two months beginning on August 16, 2022 and lasts through November of 2026. The lease has a rent payment of $4 for the first month and escalates to $6 per month over the lease period. The Company recorded a right-of-use asset and corresponding lease liability for $260 using an incremental borrowing rate of 7.00%.

On May 10, 2023, the Company amended the lease agreement with ULF Northfield Business Center LLC to expand the lease by 6,000 square feet, to a total of 18,400 square feet, and extend the lease term from the date ending April 30, 2027 to sixty months after the earlier of the date on which the landlord delivers the expanded premises to the Company or December 1, 2023. The expanded premises were delivered to the Company on September 1, 2023, causing the rent to increase to $16 for the first month and escalating to $22 over the lease period.

		September 30, 2023		December 31, 2022
Right-of-use asset				
Cost				
Aggregate lease commitments	**$**	3,252	**$**	2,759

(United States Dollars in Thousands)

Less: impact of present value	(372)	(262)
Balance	**$ 2,880**	**$ 2,497**
Reduction in right-of-use asset		
Straight line amortization	1,349	946
Interest	(150)	(114)
Balance	**$ 1,199**	**$ 832**
Net book value as at:		
Balance	**$ 1,681**	**$ 1,665**
Lease liabilities		
Additions	**$** 2,921	**$** 2,520
Payments	(1,319)	(896)
Interest	150	114
Total lease liabilities	**$ 1,752**	**$ 1,738**
Current portion of lease liabilities	679	641
Long term portion of lease liabilities	1,073	1,097
Total lease liabilities	**$ 1,752**	**$ 1,738**

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

2023	**$** 196
2024	755
2025	316
2026	279
2027	248
2028	180
Total lease payments	**$ 1,974**
Less imputed interest	222
Total	**$ 1,752**

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Our weighted-average remaining lease term and discount rate are as follows:

	Nine Months Ended September 30, 2023

Weighted-average remaining lease term	3.4 years
Weighted-average discount rate	5.9%

Rent expense for the nine months ended September 30, 2023 and 2022 was $629 and $598, respectively.

13. Stock-Based Compensation **11. Goodwill and Intangible Assets**

During the three and nine months ended September 30, 2023, the Company issued 1,110,000 and 9,275,000 stock options to purchase an aggregate of 1,110,000 and 9,275,000 common shares. These options also vest over a period of four years and have an expiration period of 10 years.

During the three and nine months ended September 30, 2022, the Company issued 7,075,000 and 28,075,000 stock options to purchase an aggregate of 7,075,000 and 28,075,000 common shares. These options also vest over a period of four years and have an expiration period of 10 years.

The continuity of stock options are as follows:

	Number of Options	Weighted Avg Exercise Price
Balance at December 31, 2022	84,112,443	$ 0.3602
Stock options granted	9,275,000	0.2327
Stock options forfeited	2,507,500	0.3292
Vested stock options expired	1,002,500	0.9126
Balance at September 30, 2023	**89,877,443**	**$ 0.3397**
Vested at September 30, 2023	**31,648,974**	**$ 0.3476**

As of September 30, 2023, details of the issued and outstanding stock options are as follows:

Grant Year	Weighted Avg. Exercise Price	Number of Options Issued and Outstanding	Number of Vested Options Outstanding	Number of Unvested Options Outstanding	Weighted Avg. Remaining Life Outstanding (Years)
2020	0.22	17,137,724	15,992,724	1,145,000	2.19
2021	0.66	20,000,000	7,050,000	12,950,000	2.87
2022	0.27	43,604,719	8,606,250	34,998,469	3.82
2023	0.23	9,135,000	—	9,135,000	4.53
Balance at September 30, 2023		**89,877,443**	**31,648,974**	**58,228,469**	

	Diagnostics	Therapeutic Devices	Total
Goodwill - December 31, 2021	**$ -**	**$ 43,288**	**$ 43,288**
Acquisitions	6,528	14,329	20,857
Adjustment to Purchase Price Allocations	(458)	292	(166)
Impairment	-	-	-
Goodwill - December 31, 2022	**$ 6,070**	**$ 57,909**	**$ 63,979**
Acquisitions	9,796	-	9,796
Adjustment to Purchase Price Allocations	-	-	-
Impairment	-	(12,195)	(12,195)
Goodwill - December 31, 2023	**$ 15,866**	**$ 45,714**	**$ 61,580**

(United States Dollars in Thousands)

Acquisitions	-	-	-
Adjustment to Purchase Price Allocations	-	-	-
Impairment	-	-	-
Goodwill - March 31, 2024	**$ 15,866**	**$ 45,714**	**$ 61,580**

The Company calculates volatility following table summarizes our intangible assets, net of stock-based compensation using the historical price accumulated amortization:

	March 31, 2024	December 31, 2023
Computer software	$ 2,776	$ 1,741
Customer relationships	26,851	26,850
Licenses	8,042	8,042
Technology	25,050	25,050
Trademarks	16	16
Tradename	2,850	2,850
Website	962	962
	66,547	**65,511**
Accumulated amortization	11,745	10,147
Net intangibles	**$ 54,802**	**$ 55,364**

Included within intangibles are $563 in licenses associated with future exclusivity to sell products should we determine that they have both market viability and are a complementary fit within our suite of the Company's stock. An increase/decrease offerings. As these relationships are still in the volatility would have resulted in an increase/decrease in exploratory phase with no revenue stream to match expenses against nor a guarantee that this exclusivity will ever be used, we are considering these to be indefinite lived as of March 31, 2024. This accounts for the fair value of difference between the options. net intangibles as found within our consolidated balance sheets and the amortization table below. We will continue to assess the commercialization status and relationship with these companies on a quarterly basis and will adjust our amortization schedules accordingly.

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The fair value estimated future amortization of options granted during intangible assets is as follows:

2024	$ 4,841
2025	6,307
2026	5,842
2027	5,615
2028 and beyond	31,634
Total	**$ 54,239**

Amortization expense for the three months ended September 30, 2023 March 31, 2024 and the twelve months ended December 31, 2022 were estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

Grant Year	Weighted Avg. Volatility	Weighted Avg. Risk-Free Int. Rate	Weighted Avg. Expected Life (In Years)	Weighted Avg. Common Share Price	Weighted Avg. Exercise Price
2020	96 %	0.47 %	9.53	$ 0.21	$ 0.22
2021	117	1.09	6.20	0.65	0.66
2022	112	3.11	5.90	0.26	0.27
2023	110	3.75	6.25	0.23	0.23

For the three months 2023 was $1,597 and nine months ended September 30, 2023, the Company recorded $1,668 and $5,158 of stock-based expense. For the three months and nine months ended September 30, 2022, the Company recorded $1,920 and $6,452 of stock-based expense. $1,199, respectively.

14. Warrants

The Company values warrants issued in equity placements using the Black Scholes model to allocate the fair value of the proceeds from equity financings using a relative fair value approach. Like other stock-based compensation, management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected life, and underlying share price volatility. Changes in these assumptions will impact the calculation of fair value and the value attributed to the warrants. The Company calculates volatility of warrants based on the historical price of the Company's stock. An increase/decrease in the volatility would have resulted in an increase/decrease in the fair value of the options. 12. Stock-Based Compensation

During the July 1, 2022 asset acquisition of Revo Squared, three months ended March 31, 2024 and 2023, the Company issued a ten-year warrant 795,000 and 6,710,000 stock options to purchase 10,000,000 an aggregate of 795,000 and 6,710,000 common shares at shares. These options also vest over a per share exercise price equal to $0.2201. The warrants may be exercised on a cash or cashless basis, at the election period of the warrant holder. As four years and have an expiration period of September 30, 2023, no warrants have been exercised. 10 years.

In connection with The continuity of stock options for the July 15, 2022 asset acquisition of Assisi, the Company issued a ten-year warrant to purchase 22,000,000 common shares at a per share exercise price equal to $0.2520. The warrants may be exercised on a cash or cashless basis, at the election of the warrant holder. As of September 30, 2023, no warrants have been exercised.

As of September 30, 2023, details of the outstanding warrants were three months ended March 31, 2024 and 2023 are as follows:

Original Issue date	Exercise Price	Warrants Outstanding	Weighted Average Remaining Life
February 14, 2020 (Series A)	0.1500	197,917	1.62
April 9, 2020 (Series B)	0.1500	363,501	1.78
May 29, 2020 (Series C)	0.1500	-	-
July 7, 2020 (Series D)	0.1600	-	-
July 1, 2022 (Revo Squared)	0.2201	10,000,000	9.01
July 15, 2022 (Assisi)	0.2520	22,000,000	9.05
Balance at September 30, 2023		**32,561,418**	

	Number of Options	Weighted Avg Exercise Price
Balance at December 31, 2023	93,349,943	$ 0.3338
Stock options granted	795,000	0.1535
Stock options forfeited	1,092,500	0.2557
Vested stock options expired	435,000	0.9408
Balance at March 31, 2024	**92,617,443**	**$ 0.3303**
Vested at March 31, 2024	**44,713,274**	**$ 0.3474**

(United States Dollars in Thousands)

	Number of Options	Weighted Avg Exercise Price
Balance at December 31, 2022	84,112,443	$ 0.3602
Stock options granted	6,710,000	0.2431
Stock options forfeited	705,000	0.4063
Vested stock options expired	462,500	0.1546
Balance at March 31, 2023	**89,654,943**	**$ 0.3449**
Vested at March 31, 2023	**27,066,474**	**$ 0.3484**

For the three months ended March 31, 2024 and 2023, the Company recorded $1,101 and $1,765 of stock-based expense.

13. Income Taxes

The Company is in an overall domestic net deferred tax liability position for the three months ended March 31, 2024. Management has assessed that the future taxable income resulting from the deferred tax liability position will result in partial utilization of the Company's US federal and state net operating loss carryforwards and has therefore concluded a valuation allowance of $10,023 is currently necessary. Due to the uncertainty of realizing any tax benefits as of March 31, 2024 due to historical losses, a full valuation allowance remains necessary to fully offset our Canadian deferred tax assets.

14. Commitments and Contingencies

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As of March 31, 2024, and continuing as of May 9, 2024, the Company is not aware of any pending or threatened material litigation claims against the Company.

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Cumulative warrants exercised and expired as of September 30, 2023 were as follows:

Warrant Series	Warrants Exercised	Amount	Warrants Expired	Amount
February 14, 2020 (Series A)	21,677,084	$ 4,293	—	$ —
April 9, 2020 (Series B)	17,969,833	2,695	—	—
May 29, 2020 (Series C)	133,213,333	19,982	120,000	18
July 7, 2020 (Series D)	187,269,000	29,963	231,000	37
July 1, 2022 (Revo Squared)	—	—	—	—
July 15, 2022 (Assisi)	—	—	—	—
Total	**360,129,250**	**$ 56,933**	**351,000**	**$ 55**

15. Income Taxes

The Company is in an overall net deferred tax liability position as of September 30, 2023. Management has assessed that the future taxable income resulting from the deferred tax liability position will result in utilization of the Company's US federal and state net operating loss carryforwards in future tax periods. The Company is in a net deferred tax asset position in Canada and a full valuation allowance against the Canada deferred tax assets remains necessary as a result of the historical losses and the uncertainty of realizing any future tax benefits related to the Canadian deferred tax assets. The Company's effective tax rate varies from the statutory federal rate primarily due to the change in valuation allowance.

16. Commitments and Contingencies

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As of September 30, 2023, and continuing as of November 13, 2023, the Company is not aware of any pending or threatened material litigation claims against the Company.

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

- 1st payment: $3,500 $3,500 in cash payment payments upon the achievement of future development milestones
- 2nd payment: $3,500 $3,500 in equity, determined by dividing the amount due by the volume-weighted average price of the Company's common stock on the NYSE American exchange over the 10 trading days prior to the achievement of the each milestone event.

As of September 30, 2023 March 31, 2024, none of the future development milestones related to the above agreement have been met. The Company has assessed the probability of meeting the above milestones and has determined that an accrual is not necessary as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

On January 17, 2023, the Company entered into a series of agreements with Qorvo Biotechnologies, LLC. Under Other than the terms obligation to purchase a minimum quantity of BAW sensors during the term of the BAW Sensor Supply Agreement, the obligations under these agreements were terminated upon the Company has the obligation:

- to purchase a minimum quantity of production and development cartridges for the period beginning on the date the parties entered into the agreements and ending on the earlier of the date Zomedica notifies Qorvo to stop production or December 31, 2024;
- to purchase a minimum quantity of BAW Sensors commencing on the Transition Date and continuing as long as Zomedica has a license from Qorvo to manufacture the cartridges, subject to each party's rights to early termination including Zomedica's right to terminate at any time with 90 days prior written notice; and
- to pay a royalty to Qorvo on the sale of cartridges after the Transition Date

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Zomedica Corp.
Notes to the Consolidated Financial Statements
(United States Dollars in Thousands)

See 20. Subsequent Events for additional detail around the October 4th acquisition of Qorvo Biotechnologies, LLC.
LLC on October 4, 2023.

17. 15. Segment Information

The Company's operations are comprised of two reportable segments:

- Diagnostics, which consists of TRUFORMA®, VetGuardian®, and TRUVIEW™ products; and
- Therapeutic Devices, which consists of Assisi® and PulseVet® products products. The Company's Chief Operating Decision Maker (CODM) is its Chief Executive Officer who has ultimate responsibility for enterprise decisions.

The Company's Chief Operating Decision Maker (CODM) is its Chief Executive Officer who has ultimate responsibility for enterprise decisions.

Although our reportable segments provide similar products, each one is managed separately to better align with the Company's customers and distribution / development partners. The CODM determines resource allocation for, and monitors performance of, the consolidated enterprise, the Diagnostics segment, and the Therapeutic Devices segment together. The CODM relies on internal segment reporting that analyzes results on certain key performance indicators, namely, revenues and gross profit. Costs below gross profit are not allocated to the segments. segments nor are asset groupings except for the purpose of periodic impairment analysis.

The following is a reconciliation of consolidated revenue, cost of revenue, and gross profit amongst our reportable segments as of September 30, 2023: for the three months ended March 31, 2024 and 2023:

				For the Three Months Ended March 31,					
	Diagnostics	Therapeutic Devices	Consolidated	Diagnostics		Therapeutic Devices		Consolidated	
				2024	2023	2024	2023	2024	2023
Net revenue	$ 1,016	$ 16,833	$ 17,849	$744	$399	$5,518	$5,083	$6,262	$5,482
Cost of revenue	1,220	4,384	5,604	583	338	1,562	1,309	2,145	1,647
Gross profit	**$ (204)**	**$ 12,449**	**$ 12,245**	**$161**	**$ 61**	**$3,956**	**$3,774**	**$4,117**	**$3,835**

18. 16. Loss Per Share

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Numerator						
Net loss for the period	**$** (491)	$ (4,995)	$ (12,123)	$ (14,206)	**$** (9,160)	$ (6,385)
Charge to retained earnings for preferred share exchange	-	-	-	-		
Loss attributable to common shareholders	**(491)**	**(4,995)**	**(12,123)**	**(14,206)**		
Denominator						
Weighted average shares - basic	979,949,668	979,949,668	979,949,668	979,949,668	979,949,668	979,949,668
Loss per share - basic and diluted	**$ (0.001)**	**$ (0.005)**	**$ (0.012)**	**$ (0.014)**	**$ (0.009)**	**$ (0.007)**

Zomedica Corp.
Notes to the Consolidated Financial Statements
(United States Dollars in Thousands)

As of September 30, 2023, March 31, 2024 and 2022, 2023, the Company had stock options outstanding of 89,877,443 92,617,443 and 66,995,224 89,654,943 and warrants outstanding of 32,561,418 for both periods. These securities could potentially dilute basic earnings per share in the future but were excluded from the computation of diluted loss per share in the periods presented, as their effect would be anti-dilutive.

19. Related Party Transactions

No significant related party transactions for the period ending September 30, 2023.

Zomedica Corp.
Notes to the Consolidated Financial Statements
(United States Dollars in Thousands)

20. 17. Subsequent Events

On October 4, 2023, Zomedica Inc. entered into an LLC membership interest purchase agreement with Qorvo US, Inc., pursuant to which Zomedica Inc. acquired 100% of the issued We have evaluated events and outstanding membership interest of Qorvo Biotechnologies, LLC, a Delaware limited liability company, for $11,300.

Qorvo Biotechnologies, LLC developed the TRUFORMA® Platform that utilizes innovative Bulk Acoustic Wave sensor technology to provide a non-optical and fluorescence free system for the detection of disease at the point of care.

Under the acquisition, two of the agreements with Qorvo Biotechnologies, LLC were terminated. As a result of these terminations, Zomedica Inc. is no longer required to purchase a minimum quantity of production and development cartridges, nor is it required to pay a royalty. The obligation to purchase BAW Sensors survives the acquisition, but the obligation to supply the BAW Sensors was transitioned for Qorvo Biotechnologies, LLC to Qorvo US, Inc.

In addition, Zomedica Inc. entered into a Transition Services Agreement which allows Zomedica Inc. and Qorvo Biotechnologies, LLC to obtain administrative services related to IP transfer, IT support and accounting matters for a period of 60- 90 days following the acquisition.

As of November 13, 2023, no estimate is yet available as transactions occurring subsequent to the impact this transaction will have on consolidated balance sheet date of March 31, 2024 for items that could potentially be recognized or disclosed in these financial statements. We did not identify any items which would require disclosure in or adjustment to the Company's consolidated financial statements, including any adjustments required to currently held assets and liabilities. We will continue to assess the transaction as part of our normal Purchase Accounting procedures and will include initial allocation values for the purchase price as part of our 2023 Form 10-K filing.
statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(All amounts are expressed in thousands unless otherwise indicated)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand the results of operations and financial condition of the Company. The Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and notes thereto for the quarter ended September 30, 2023 March 31, 2024. This report contains forward-looking statements or forward-looking information (collectively, "forward-looking statements") made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, as well as the safe harbor provisions of applicable Canadian securities legislation, that are based on management's beliefs and assumptions and involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact.

Forward-looking statements can also be identified by words such as "future", "anticipates", "believes", "projects", "estimates", "expects", "intends", "plans", "predicts", "will", "should", "would", "could", "can", "may", or similar terms. Forward-looking statements are not guarantees of future performance and Zomedica's actual results may differ significantly from the results discussed in the forward-looking statements. Zomedica cautions that these statements are subject to numerous important risks, uncertainties, assumptions, and other factors, some of which are beyond Zomedica's control. These risks could cause Zomedica's actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to adverse macroeconomic conditions; changes in consumer confidence and spending in response to economic volatility; adverse consequences of the COVID-19 pandemic; our ability to develop and commercialize our products; our ability to integrate our acquisitions successfully into our business; supply chain disruptions that increase our costs and impair our ability to manufacture our products; our ability to attract and keep senior management and key scientific personnel; our ability to obtain and maintain intellectual property protection; our ability to maintain the listing of our common shares on the NYSE American exchange; the accuracy of our estimates regarding expenses, future revenues, and capital requirements; and the "Risk Factors" described in our Annual Report on Form 10-K for the year ended December 31, 2022, Form 10-Q for the quarters ended March 31, and June 30, 2023, and in this report. December 31, 2023. The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in our forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We undertake no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations, except as required by applicable law.

Overview

We are a veterinary health company creating**Components of Revenue** **and marketing products for companion animals by focusing on the unmet needs of clinical veterinarians. Our mission is to enrich the lives of the animals we love** **Costs** **and the people that care for them by providing products and technologies that improve patient care and enhance the economic health of veterinary practices. Our product portfolio includes innovative diagnostics and therapeutic medical devices that emphasize patient health and enhancing practice economics.**

We currently have six discrete platforms in our product portfolio: **Expenses**

Revenue

Diagnostic Products

- our TRUFORMA® platform, comprising point-of-care diagnostic products for disease states in dogs and cats, providing assays for use at the point-of-care that provide reference lab accuracy, thereby enabling practitioners to diagnose and treat diseases sooner;

- our TRUVIEW™ platform which consists of the TRUVIEW digital cystoscopy instrument providing microscopic images and related pathology services which enable practitioners to receive a Pathologist interpretation of the images;

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- our Revo Squared® imaging platform, comprising diagnostic imaging products and services for use in animal health, including the SONOVIEW™ ultrasound system; and

- our VetGuardian® platform, which provides continuous wireless monitoring of pets' vital signs and provides them remotely to veterinarian practice staff, along with alert messaging should the vital signs rise or fall out of range, to assist in rapidly diagnosing issues;

Therapeutic Device Products

- our world-leading PulseVet® platform, which provides for non-invasive electro-hydraulic shock wave treatment of a wide variety of conditions in horses and small animals, including osteoarthritis, tendon and ligament healing, bone healing, chronic pain relief and wound healing, to promote healing and reduce the need for surgery and/or medication; and

- our Assisi Loop® platform including a series of products that use targeted Pulsed Electromagnetic Field (tPEMF) therapy to decrease pain and inflammation and accelerate healing or reduce anxiety.

As a result of an internal strategic review, we have focused our development and commercialization efforts on our TRUFORMA®, Revo Squared, TRUVIEW™, VetGuardian, PulseVet, and Assisi Loopplatforms. We believe this narrowed focus will enable us to capitalize on our core strengths and to accelerate the commercialization of these existing platforms.

For the foreseeable future, we expect to continue to incur losses, which we expect will begin to decrease from historical levels as we continue to rapidly grow our Therapeutic Device segment, continue the commercialization of our Diagnostic products, and expand our product development and sales and marketing activities.

Revenue

Our revenue consisted of consumables sold in the U.S. and internationally associated with our Assisi® products; capital and consumables sold in the U.S and internationally associated with our PulseVet® platform; capital associated with our Revo Squared products; consumables sold in the U.S associated with our TRUFORMA® platform; capital subscriptions and consumables services sold in the U.S. associated with our TRUVIEW TRUVIEW™ products; and capital and service agreements sold in the U.S. associated with our VetGuardian® products.

Cost of Revenue

Cost of revenue consisted primarily of the cost of raw materials used in the assembly of of: PulseVet capital and consumables, the cost of consumables; TRUFORMA consumables purchased, capital and the cost of consumables; Assisi parts purchased consumables; TRUVIEW capital and related sub-components. consumables; and VetGuardian capital and services. We expense all inventory obsolescence provisions related to normal manufacturing changes as cost of revenue.

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Operating Expenses

Our current operating expenses consist of three components — general and administrative expenses, research and development expenses, and selling and marketing expenses.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, wages, and overhead costs incurred to support our business as a publicly traded company. The functions involved include Accounting, Business Development, Finance, HR, Information Technology, Investor Relations, Legal, and portions of other functional areas. Included within these support costs are significant public company expenses such as stock exchange fees, annual meeting expenses, and audit, tax, Sarbanes-Oxley, and other compliance costs.

Research and Development Expenses

Research and development expenses consist of salaries and related expenses for R&D personnel, fees paid to consultants and outside service providers, travel costs, and materials used in clinical trials and general research and development.These costs are primarily focused on leveraging our recent acquisition of Qorvo into new assay development for our TRUFORMA® platform, expanding capabilities and usability within existing products, and exploring new market opportunities.

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Selling and Marketing Expenses

Selling and marketing expenses consist of personnel costs (including salaries, related benefits, and stock-based compensation) and costs associated with sales and marketing activities (including conference and tradeshow attendance, sponsorships, and general advertising and promotional activities).

U.S. Taxes

As of December 31, 2022, we had net operating loss carryforwards for U.S. federal and state income tax purposes of $32,456 and non-capital loss carryforwards for Canada of $46,384, which will begin to expire in fiscal year 2035. We have evaluated the factors bearing upon the realizability of our deferred tax assets, which are comprised principally of net operating loss carryforwards and non-capital loss carryforwards. We concluded that, due to the limitations under Section 382 of the Code, our U.S. federal and state net operating loss carryforwards for the periods prior to February 11, 2021 have been limited to zero. We therefore have derecognized $21,013 of our U.S. deferred tax assets, resulting in a remaining carryforward balance of $11,443.

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act of 2022 (the “IR Act”) was signed into federal law. The IR Act provides for a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023.

The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax, such as repurchases repurchases under $1 million.

Any redemption or other repurchase that occurs after December 31, 2022 December 31, 2023, in connection with a business combination, extension vote or otherwise, may be subject to the excise tax. Whether and to what extent we would be subject to the excise tax in connection with a business combination, extension vote or otherwise would depend on a number of factors, including (i) the fair market value of the redemptions and repurchases in connection with the business combination, extension or otherwise; (ii) the structure of a business combination; (iii) the nature and amount of any equity issuances in connection with a business combination (or otherwise issued not in connection with a business combination but issued within the same taxable year of a business combination); and (iv) the content of regulations and other guidance from the U.S. Department of the Treasury.

The IR Act also included a new 15% Corporate Alternative Minimum Tax (“CAMT”) that acts as a new book minimum tax of at least 15% of consolidated U.S. GAAP pre-tax income for corporations with average book income in excess of $1 billion. Any increase in our effective tax rate will depend on a number of factors, including any offsets for general business credits or changes in book income following business combinations. The CAMT is effective for tax years

beginning on or after January 1, 2023. Lastly, the IR Act also creates several potentially beneficial tax credits to incentivize investments in certain technologies and industries.

We are in the process of evaluating the potential impacts of the IR Act. While we do not believe the IR Act will have a material negative impact on our business or our financial performance, the effects of the measures are unknown at this time. Our analysis is ongoing and incomplete, and it is possible that the IR Act could ultimately have a material adverse effect on our tax liability. We continue to monitor the IR Act and related regulatory developments to evaluate their potential impact on our business, tax rate and financial results.

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Canadian Taxes

In Canada, due to the uncertainty of realizing any tax benefits as of September 30, 2023 March 31, 2024, we continue to record a full valuation allowance against our Canadian deferred tax assets.

Translation of Foreign Currencies

The functional currency, as determined by management, for our subsidiaries in the United States, Switzerland, and Canada is the U.S. dollar, which is also our reporting currency.

The functional currency, as determined by management, for our Japanese subsidiary is the Japanese Yen. Japanese Yen are translated for financial reporting purposes with translation gains and losses recorded as a component of other comprehensive income or loss.

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Stock-Based Compensation

We measure the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted.

We calculate stock-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option using the graded vesting method. The provisions of our stock-based compensation plans do not require us to settle any options by transferring cash or other assets, and therefore we classify the awards as equity. Stock-based compensation expense recognized during the period is based on the value of stock-based payment awards that are ultimately expected to vest. We estimate forfeitures at the time of grant and revise these estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The expected term, which represents the period of time that options granted are expected to be outstanding, is estimated based on an average of the term of the options. The risk-free rate assumed in valuing the options is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is zero as we are not expected to pay dividends in the foreseeable future.

Loss Per Share

Basic loss per share, or EPS (earnings per share), is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of

stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of options, warrants and convertible securities are excluded from diluted EPS if the effect of such inclusion would be anti-dilutive.

Comprehensive Loss

We follow FASB ASC topic 220. This statement establishes standards for reporting and display of comprehensive (loss) income and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue, costs and expenses, and related disclosures during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those described below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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While our significant accounting policies are more fully described in Note 3 of the notes to our consolidated financial statements included within our Annual Report on Form 10-K, management has identified the following as "Critical Accounting Policies and Estimates": Intangible Assets and Business Combinations; Impairment Testing; Valuation and Payback of Property and Equipment; and Revenue Recognition and Liabilities Due to Customers. We believe that the estimates and assumptions involved in these accounting policies may have the greatest potential impact on our financial statements.

Intangible Assets and Business Combinations

Assets acquired and liabilities assumed as part of a business combination are recognized at their acquisition date fair values. In determining fair values for recent business combinations, we utilize various forms of the income, cost, and market approaches depending on the asset or liability being valued.

We use a discounted cash flow model to measure the customer relationship, developed technology, license, trademark, and tradename assets. The estimation of fair value requires significant judgment related to future net cash flows based on assumptions related to revenue and EBITDA growth rates, discount rates, and attrition factors. Inputs are generally determined by taking into account competitive trends, market comparisons, independent appraisals, and historical data, among other factors, and were supplemented by current and anticipated market conditions. Variances in future cash flows, anticipated growth rates, and revenue could significantly impact the value assigned to intangible assets. Any variance could cause impairment charges upon testing.

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Impairment Testing

We evaluate goodwill for impairment annually or more frequently when an event occurs or circumstances change indicating the carrying value may not be recoverable. When testing goodwill for impairment, we may first assess qualitative factors to determine if it is more likely than not the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, we consider the impact of changes, if any, to the following factors: macroeconomic industry and market factors; cost factors; changes in overall financial performance; and any other relevant events and uncertainties impacting a reporting unit. If our qualitative assessment indicates a goodwill impairment is more likely than not, we perform additional quantitative analyses. We may also elect to skip the qualitative testing and proceed directly to the quantitative testing. For reporting units where a quantitative analysis is performed, we perform a test measuring the fair values of the reporting units and comparing them to their aggregate carrying values, including goodwill. If the fair value is less than the carrying value of the reporting unit, an impairment is recognized for the difference, up to the carrying amount of goodwill.

We estimate the fair values of our reporting units using a discounted cash flow method or a weighted combination of discounted cash flows and a market-based method. The discounted cash flow method includes assumptions about a wide variety of internal and external factors. Significant assumptions used in the discounted cash flow method include financial projections of free cash flow, including revenue trends, medical costs trends, operating productivity, income taxes and capital levels; long-term growth rates for determining terminal value beyond the discretely forecasted periods; and discount rates. Financial projections and long-term growth rates used for our reporting units will be consistent with, and use inputs from, our internal long-term business plan and strategies.

Discount rates will be determined for each reporting unit and include consideration of the implied risk inherent in their forecasts. Our most significant estimate in the discount rate determinations involves our adjustments to the peer company weighted average costs of capital reflecting reporting unit-specific factors. We do not make any adjustments to decrease a discount rate below the calculated peer company weighted average cost of capital for any reporting unit. Company-specific adjustments to discount rates are subjective and thus are difficult to measure with certainty.

The passage of time and the availability of additional information regarding areas of uncertainty with respect to the reporting units' operations could cause these assumptions to change in the future. Additionally, as part of our quantitative impairment testing, we perform various sensitivity analyses on certain key assumptions, such as discount rates, cash flow projections, and peer company multiples to analyze the potential for a material impact. The market-based method requires determination of an appropriate peer group whose securities are traded on an active market. The peer group is used to derive market multiples to estimate fair value.

Valuation and Payback of Property and Equipment

Diagnostic based TRUFORMA® capital is placed in fixed assets once purchased or manufactured, where they remain, undepreciated, until they are placed with our customers under the agreement that they will repeatedly purchase consumables or services which are utilized within. Each instance of this placed capital represents an asset that we own. An estimate is made of the anticipated future revenue over its respective life which is ten years. If the payback period of the initial investment in the asset is less than the ten-year life of the asset, we conclude that the assets have been properly recorded, and no write-down is necessary. We rely on various data points and

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assumptions, including, but not limited to, the expected volume of consumables which will be sold, anticipated growth rates, and anticipated placements. Realization of the anticipated revenue is dependent on the current assumptions and forecasted models.

The customer is obligated to purchase consumables during the placement period. However, since the customer is not obligated to purchase the capital, and can return it at any time, we are exposed to a risk of loss to the extent the customer returns the capital and discontinues consumable or related service purchases.

On September 30, 2023 March 31, 2024, the carrying value of our Diagnostic instruments was $5,683. $10,189. Significant assumptions included in the realization model are the rate of placement and expected utilization over the life of the instrument.

The effect of a 25% reduction in the estimated revenues associated with annual placements of instruments would increase the payback period on September 30, 2023 March 31, 2024 from 5.16 3.03 years to 7.24 3.86 years.

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Revenue Recognition and Liabilities Due to Customers

The nature of our Therapeutic Device business segment gives rise to variable consideration, including discounts and applicator (“trode”) returns for refurbishment. Credits are issued for unused shocks on returned trodes, which can be used toward the purchase of replacement trodes. When revenue is recognized, a simultaneous adjustment for returns is estimated, reducing revenue. Estimated return credits are presented as a reduction to gross sales with the corresponding reserve presented as customer contract liabilities.

Variable consideration related to unused shock credits is calculated using the expected value method, which estimates the amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. Estimates of variable consideration are based upon historical experience and known trends. These estimated credits are non-refundable and may only be used towards the purchase of future trode refurbishments. This practice encourages refurbishment purchase prior to complete utilization of the previous trode, enabling the customer to always have a trode on hand with ample capacity to perform treatments.

The number of trodes returned by year is tracked against the number of trodes sold in that same year, creating a current experience rate. It is assumed that the ultimate return rate for the trodes is 98%. For annual calculations, it is assumed that the expected returns in the current year for each layer increase to the experience rate of the year immediately preceding it. Once the 98% is reached the layer is removed from the calculation. The annual incremental change in expected returns is multiplied by an average return credit amount, generating the current liability due to customers.

The average return credit is calculated by dividing the actual shock credits issued by the actual number of trodes returned. A variance in the assumed return rate compared to the actual rate would impact the estimate and potentially understate net sales (overestimated rate) or overstate net sales (underestimated rate) in any given year and create a corresponding misstatement of the liability due to customers.

On September 30, 2023 March 31, 2024, the estimated value of our Therapeutic Device customer contract liability was $527. $539. If the expected return rate was increased by 2%, the effect on current year reduction in sales and customer liability would have been approximately $54. $59.

Results of Consolidated Operations

Our results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are as follows:

Revenue

Revenue for the three months ended September 30, 2023 March 31, 2024 was $6,347, $6,262, compared to $4,776 $5,482 for the three months ended September 30, 2022 March 31, 2023, an increase of $1,571 $780 or 33% 14%. Revenue for the nine months ended September 30, 2023 was $17,849, compared to $12,773 for the nine months ended September 30, 2022, an increase of $5,076 or 40%.

The increase for both comparative periods in sales was primarily due to organic growth of our existing PulseVet® and TRUFORMA® products and the inclusion continued performance of our VetGuardian® and TRUVIEW™ products which were not part of our consolidated figures had just recently launched as of September 30, 2022 the three months ended March 31, 2023.
We benefited this quarter from expected seasonality In general, we expect revenue to increase in subsequent periods as we increase our sales, marketing, and expect that these seasonality benefits will continue through the balance commercialization efforts.

Cost of Revenue

Cost of revenue for the three months ended September 30, 2023 March 31, 2024 was $1,985, $2,145, compared to $1,265 $1,647 for the three months ended September 30, 2022 March 31, 2023, an increase of $720 $498 or 57%. Cost of revenue for the nine months ended September 30, 2023 was $5,604, compared to $3,516 for the nine months ended September 30, 2022, an increase of $2,088 or 59% 30%.

The increase in cost for both comparative periods of revenue was primarily driven by increased manufacturing expense as a result of increased sales and rising input costs.

unit sales. We anticipate that costs of revenue will continue to increase in subsequent periods in accordance with the increased revenue unit sales as described above.

Gross Profit

Gross profit margin for the three months ended September 30, 2023 March 31, 2024 was 69% 66%, compared to 74% 70% for the three months ended September 30, 2022. Gross profit margin for the nine months ended September 30, 2023 was 69%, compared to 72% for the nine months ended September 30, 2022 March 31, 2023.

The decrease in gross profit margin % for both comparative periods percentage was primarily due to the continued integration of products and launch of several new products, launches along with product mix impacts associated with sales of these new offerings, and price increases of certain component parts. In general, we believe gross margins will return to historic levels in the coming quarters. offerings.

General and Administrative

General and administrative expense for the three months ended September 30, 2023 March 31, 2024 was $6,115, $8,625, compared to $5,153 $7,013 for the three months ended September 30, 2022 March 31, 2023, an increase of $962 $1,612 or 19%. General and administrative expense for the nine months ended September 30, 2023 was $19,977, compared to $17,691 for the nine months ended September 30, 2022, an increase of $2,286 or 13% 23%.

The increase for the three months ended September 30, 2023 in general and administrative expenses was primarily driven by growth in headcount within our support functions, including creation of a new pathology department to support our TRUVIEW™ digital microscopy system, Qorvo transition proxy and other acquisition related expenses, special meeting costs and infrastructure improvements to build professional fees for specialized accounting and support our growing suite of products and capabilities.

The increase for the nine months ended September 30, 2023 was primarily driven by salaries and noncash stock option expense associated with increased hiring campaigns, noncash amortization related to our Assisi / Revo acquisitions, recruiting and other related fees associated with creation of a new Pathology department, and our transition to a new Chief Financial Officer.

We development work. While we expect future general and administrative expense to normalize and grow proportionately increase, we expect it to decrease proportionally with sales and related product expansion.

Research and Development

Research and development expense for the three months ended September 30, 2023 March 31, 2024 was $867, $1,771, compared to $1,215 $918 for the three months ended September 30, 2022, a decrease of $348 or 29%. Research and development expense for the nine months ended September 30, 2023

was $2,645, compared to $1,885 for the nine months ended September 30, 2022 March 31, 2023, an increase of $760 $853 or 40% 93%.

The decrease for the three months ended September 30, 2023 increase in research and development expenses was primarily driven by higher research fees for assay development, in the same period a year ago.

The increase for the nine months ended September 30, 2023 was primarily driven by our continued buildup of internal capabilities to develop, test, and manufacture our next generation of diagnostic products.

We anticipate that R&D costs will increase as we maintain and enhance our current product lines and continue to develop new products.

Selling and Marketing

Selling and marketing expense for the three months ended September 30, 2023 March 31, 2024 was $3,328, $4,107, compared to $3,735 $3,416 for the three months ended September 30, 2022, a decrease of $407 or 11%. Selling and marketing expense for the nine months ended September 30, 2023 was $9,826, compared to $6,468 for the nine months ended September 30, 2022 March 31, 2023, an increase of $3,358 $691 or 52% 20%.

The decrease for the three months ended September 30, 2023 was primarily driven by synergies now being derived by the PulseVet® acquisition.

The increase for the nine months ended September 30, 2023 in selling and marketing expenses was primarily driven by salaries, commissions, and noncash non-cash stock option expense associated with increased hiring campaigns and increased marketing campaigns / attendance at tradeshows to build brand awareness and recognition of our expanding suite of products.

We expect future selling general and administrative marketing expense to increase in line with product expansion and growth in our commercialization efforts.

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Net Loss

Net loss for the three months ended September 30, 2023 March 31, 2024 was $491, $9,160, compared to a loss of $4,995 $6,385 for the three months ended September 30, 2022 March 31, 2023, an improvement increase of $4,504 $2,775 or 90%.Net loss for the nine months ended September 30, 2023 was $12,123, compared to a loss of $14,206 for the nine months ended September 30, 2022, an improvement of $2,083 or 15% 43%.

The increase in net loss for each comparative period was attributed to the matters described above as well as due to tax related benefits attained as part of the SMP acquisition. above. We expect to continue to record net losses in future periods until such time as we have sufficient revenue from product sales to offset our operating expenses.

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Cash Flows

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

	Nine Months Ended September 30,				For the Three Months Ended March 31,			
	2023	2022	Change		2024	2023	Change	
Cash used in operating activities	$ (10,960)	$ (9,287)	$ (1,673)	18%	$ (7,590)	$ (4,257)	$ (3,333)	78%
Cash provided by (used in) investing activities	5,406	(140,529)	145,935	(104)%	5,625	(14,792)	20,417	(138)%
Cash provided by financing activities	—	8	$ (8)	(100)%				
(Decrease) increase in cash and cash equivalents	**(5,554)**	**(149,808)**	**144,254**	**(96)%**	**(1,965)**	**(19,049)**	**17,084**	**(90)%**
Effect of exchange rate changes on cash	(62)	(49)	(13)	27%	(48)	3	(51)	(1,700)%
Cash and cash equivalents, beginning of period	27,399	194,952	(167,553)	(86)%	12,952	27,399	(14,447)	(53)%
Cash and cash equivalents, end of period	**$ 21,783**	**$ 45,095**	**$ (23,312)**	**(52)%**	**$ 10,939**	**$ 8,353**	**$ 2,586**	**31%**

Net cash used in operating activities for the nine three months ended September 30, 2023 March 31, 2024 was $10,960, $7,590, compared to $9,287 $4,257 for the nine three months ended September 30, 2022 March 31, 2023, an increase in cash used of $1,673 $3,333 or 18% 78%. The increase in cash used in operations operating activities primarily resulted from SMP related acquisition gains, non-cash accretion on currently held available-for-sale securities, a decrease in the losses noted above and lower non-cash stock based compensation, and an increase in operating spend offset by increases in non-cash depreciation and amortization, lower inventory purchases, and an increase in prepaid expenses and deposits. compensation.

Net cash for provided by investing activities for the nine three months ended September 30, 2023 March 31, 2024 was an inflow of $5,406, $5,625, compared to cash used of $140,529 $14,792 for the nine three months ended September 30, 2022, an increase March 31, 2023. The decrease in cash of $145,935 or 104%. The increase in cash used in investing activities primarily resulted from a significant reduction in spend on available for sale securities and acquisitions as compared to 2022 (which showed as a significant outflow) offset by Qorvo and SMP the acquisition related intangibles and the buildup of construction in progress related to facility expansion, MyZomedica platform development, and production of TRUVIEW™ devices for launch preparation.

There was no cash provided by financing activities for the nine months ended September 30, 2023 as compared to $8 for the nine months ended September 30, 2022. progress.

Liquidity, and Capital Resources, and Financial Condition

We have incurred losses and negative cash flows from operations since our inception in May 2015. As of September 30, 2023 March 31, 2024, we had an accumulated deficit of $148,526. $180,093. We have funded our working capital requirements primarily through the sale of our equity and equity-related securities and the exercise of stock options and warrants.

As of September 30, 2023 March 31, 2024, the Company had working capital (defined as current assets minus current liabilities) of $108,654. $84,061.

Short-Term Cash Requirements

We believe that our existing cash is sufficient to fund our expected short-term needs. We currently have fixed obligations in association with our building leases and quarterly inventory orders. We also have payment obligations associated with our on-going clinical studies, and we expect that we have sufficient cash to cover these requirements. We do not expect that our operations will require significant increases in our short-term cash needs. needs and our short-term cash requirements have not changed materially since the 2023 Form 10-K.

Long-Term Cash Requirements

We believe that our existing cash resources will be sufficient to fund our expected operational requirements for the foreseeable future. We regularly evaluate our business plans and strategy. These evaluations often result in changes to our business plans and strategy,

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some of which may be material and significantly change our cash requirements. Ongoing business development activity may also require us to use some of our liquidity and use of additional capital to fund newly acquired operations. If we raise additional funds by issuing equity securities, our existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict operations.

Our future capital requirements depend on many factors, including, but not limited to:

- the costs and timing of our development and commercialization activities;
- the cost of manufacturing our existing and future products;
- the cost of marketing and selling our existing and future products including marketing, sales, service, customer support and distribution costs;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;

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- the costs associated with additional business development or mergers and acquisitions activity, including acquisition-related costs, earn-outs or other contingent payments and costs of developing and commercializing any technologies to which we obtain rights;
- third-party costs associated with the development and commercialization of our existing and future products and the ability of our development partners to satisfy our requirements on a timely basis;
- the scope and terms of our business plans from time to time, and our ability to realize upon our business plans; and
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing possible patent claims, including litigation costs and the outcome of any such litigation.

The Company's long-term cash requirements have not changed materially since the 2023 Form 10-K.

U.S. Taxes

As of March 31, 2024, we had deferred tax assets for net operating loss carryforwards for U.S. federal income tax purposes of $12,577 and non-capital loss carryforwards for Canada of $9,581, which will begin to expire in fiscal year 2035. We have evaluated the factors bearing upon the realizability of our deferred tax assets, which are comprised principally of net operating loss carryforwards and non-capital loss carryforwards. In 2021, we concluded that, due to the limitations under Section 382, our U.S. federal income tax net operating loss carryforwards, as well as R&D credit carryforwards, for the periods prior to February 11, 2021 have been limited to zero. We therefore have derecognized $3,814 of this asset, reducing the carryforward of these amounts to $8,763.

Climate Change

Zomedica is committed to responsible practices regarding the use of natural resources. Increased public awareness and concern about climate change will likely continue to (1) generate more regional and/or national requirements to reduce greenhouse gas emissions; (2) increase energy efficiency and reduce carbon pollution; and (3) cause a shift to cleaner and more sustainable sources of energy which may be more expensive than using fossil fuels as an energy source.

The potential impact of climate change on our operations and the needs of our customers remains uncertain. Scientists have proposed that the impacts of climate change could include changes in rainfall patterns, water shortages, changes to the water levels of lakes and other bodies of water, changing storm patterns, more intense storms and changing temperature levels. These changes could be severe and vary by geographic location. Climate change may also affect the occurrence of certain natural events, the incidence and severity of which are inherently unpredictable.

The effects of climate change also may impact our decisions to construct new buildings or maintain existing facilities in any areas that are or become prone to physical risks, which could similarly increase our operating costs. We could also face indirect financial risks passed through the supply chain that could result in higher prices for resources, such as energy. Additionally, climate change may adversely impact the demand, price and availability of property and casualty insurance that insures our physical assets. Due to significant economic variability associated with future changing climate conditions, we are unable to predict the impact climate change will have on us in the future.

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Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Evaluation of Our Disclosure Controls our disclosure controls

We maintain disclosure controls and procedures that are designed to provide reasonable assurance ensure that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our chief principal executive officer and chief principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an An evaluation under the supervision and with the participation of our management, including our principal executive and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13(a)-15(e) of the end of the period covered by this Quarterly Report was made under the Exchange Act. supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer.

Based on upon this evaluation, our principal executive officer and principal financial and accounting officer have concluded that, as of September 30, 2023, our disclosure controls and procedures were effective. not effective because of the material weakness in internal control over financial reporting

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described below and in Part II, Item 9A "Controls and Procedures" of our 2023 Annual Report. The material weakness has not been remediated as of March 31, 2024.

Changes

Management's report on internal control over financial reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Internal Controls Rules 13a-15(f) and 15d-15(f) under the Exchange Act. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. Because of the inherent limitations of internal control over

financial reporting, including the possibility of collusion or improper management override of controls, misstatements due to error or fraud may not be prevented or detected on a timely basis.

There has been no change in

Our management performed an assessment of the effectiveness of our internal control over financial reporting (as defined as of March 31, 2024, utilizing the criteria discussed in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during Internal Control - Integrated Framework (2013) issued by the period covered by Committee of Sponsoring Organizations of the Treadway Commission. The objective of this Quarterly Report that has materially affected, or is reasonably likely assessment was to materially affect, the Company's determine whether our internal control over financial reporting. reporting was effective as of March 31, 2024. Based on management's assessment, we have concluded that our internal control over financial reporting was not effective as of March 31, 2024, due to the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2023, there was a material weakness relating to the timeliness and precision of management's review controls around financial projections relevant to the evaluation of goodwill impairment relating to our Assisi product line.

Plan for remediation of the material weakness

The Company and its Board of Directors are committed to maintaining a strong internal control environment. Management, with oversight from the Audit Committee of the Board of Directors, has begun developing a comprehensive plan to remediate the material weakness. Remediation efforts are focused on more rigorous policies and procedures and sufficiency of reviews of the projections included in the discounted cash flow model used in the Company's evaluation of goodwill for impairment. These efforts will include development of a continuous process for monitoring, assessment and communication, as well as involvement of additional key stakeholders in reviews.

We will not be able to conclude whether these efforts will fully remediate the material weakness until the updated controls have operated for a sufficient period of time and management has concluded, through testing, that such controls are operating effectively.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Item 1A. Risk Factors.

Except as set forth below, there There have been no material changes in our risk factors from those previously disclosed in our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Our common shares are currently listed on the NYSE American. In order to maintain our listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to these objective standards, the NYSE American may delist the securities of any issuer if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE American inadvisable; if the issuer sells or disposes of principal operating assets or ceases to be an operating company; if an issuer fails to comply with the NYSE American's listing requirements; if an issuer's common stock sells at what the NYSE American considers a "low selling price" (generally trading below $0.20 per share for an extended period of time); or if any other event occurs or any condition exists which makes continued listing on the NYSE American, in its opinion, inadvisable.

As disclosed in our Current Report on Form 8-K filed with the SEC on September 14, 2023, we received a deficiency letter (the "Letter") from the NYSE American on September 12, 2023, indicating that the Company was not in compliance with the NYSE American continued listing standards set forth in Section 1003(f)(v) of the NYSE American Company Guide (the "Company Guide") because our common shares were selling for a substantial period of time at a low price per share, which the NYSE American determined to be a 30-trading day average of less than $0.20 per share.

Pursuant to Section 1003(f)(v) of the Company Guide, the NYSE American staff determined that our continued listing is predicated on demonstrating sustained price improvement within a reasonable period of time. In accordance with NYSE American procedures, we have submitted a business plan to the NYSE American demonstrating how we intend to regain compliance with the minimum stock price.

The business plan focuses on the following:

- continuing top line growth both organically and through acquisitions;

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- maintaining industry leading margins, leveraging recent integrations to improve those margins, and accelerate the pathway to profitability; and
- leveraging the Company's strong balance sheet and cash position to continue to invest in commercial and R&D activities, as well as remaining opportunistically acquisitive.

Additionally, we intend to consider available alternatives, including, but not limited to, a reverse stock split, subject to shareholder approval at a special or annual meeting of the shareholders, a share repurchase program or other potential capital table restructuring to cure the share price non-compliance. During this cure period, our common shares will continue to be listed on the NYSE American, subject to its compliance with other continued listing requirements.

If we fail to regain compliance during the cure period, or if we fail to meet material aspects of the plan, then the NYSE American may commence suspension and delisting procedures. If the NYSE American delists our common shares from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our common shares would qualify to be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

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

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Item 6. Exhibits.

The exhibits listed on the accompanying index to exhibits immediately preceding the exhibits are filed as part of, or hereby incorporated by reference into, this Quarterly Report.

EXHIBIT INDEX

Exhibit No.	Description

2.1 10.1+	Stock Purchase Amendment to Executive Employment Agreement of Larry C. Heaton dated September 4, 2023, by and between Zomedica Inc., Sellers, and SMP VG Holdco Inc. (incorporated April 1, 2024 (incorporated by reference to Exhibit 2.1 10.19 to the Company's Current Report on Form 8-K 10-K filed with the Commission on September 6, 2023 April 1, 2024 (File No. 001-38298))
3.1 10.2+	Articles of Amalgamation of Zomedica Corp. and all amendments thereto, as well as all Certificates issued in respect thereto as well as all Certificates issued in respect thereto Amendment to Offer letter Peter Donato dated April 1, 2024 (incorporated by reference to Exhibit 3.1 10.20 to the Company's Quarterly Report on Form 10-Q 10-K filed with the Commission on May 12, 2021 April 1, 2024 (File No. 001-38298))
3.2 10.3+**	Amended Offer letter, dated November 6, 2023, among Zomedica Inc., Zomedica Corp., and Restated By-Law No. 1 (2nd Version) of Zomedica Pharmaceuticals Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on August 7, 2020 (File No. 001-38298)) Russell Kevin Klass
10.1***	31.1* LLC Membership Interest Purchase Agreement, dated October 4, 2023, by and between Zomedica Inc. and Qorvo US, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 10, 2023 (File No. 001-38298))
10.2***	First Amendment to BAW Sensor Supply Agreement entered into as of October 4, 2023 by and between Qorvo Biotechnologies and Zomedica Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on October 4, 2023 (File No. 001-38298))
21.1**	List of Subsidiaries
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL (1).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (1).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (1).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (1).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (1).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (1).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.1)

+ Indicates management contract or compensatory plan.

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference. Furnished herewith

** Filed herewith

***

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 13, 2023 May 9, 2024.

Zomedica Corp.

By:	/s/ Larry Heaton
Name:	Larry Heaton
Title:	Chief Executive Officer
	(Principal Executive Officer)

By:	/s/ Peter Donato
Name:	Peter Donato
Title:	Executive Vice President and Chief Financial Officer
	(Principal Financial and Accounting Officer)

Exhibit 21.1 10.3

October 20, 2023

Subsidiaries R. Kevin Klass
2004 N. Steele Circle
Mesa, AZ 85207

Dear Kevin:

On behalf of Registrant
Zomedica Inc., a Delaware corporation I am pleased to extend an offer of employment to you for the full-time position of Senior Vice President, Sales, reporting to the CEO.

HMT High Medical Technologies (Japan) Co., Ltd., a Japanese companyStart Date. Your proposed start date is November 6, 2023.

NeoPulse GmbH,Base Salary. Your bi-weekly salary will be $10,961.54 (equivalent to $285,000 per year). You will also be eligible for a Swiss Company bonus equal to 50% of your base salary (pro-rated for 2023), dependent upon goals and objectives established by Zomedica and your manager.

PVT NeoPulse Acquisition GmbH,Equity Position. You will be awarded an option to purchase 2,000,000 shares of Zomedica common stock at a Swiss Company strike price equal to the closing price of our stock on the later of the trading day of the formal approval of your options at a regularly scheduled meeting of the Zomedica Board of Directors or your employment date. Your options will vest over a four-year period of time with a vesting schedule of 25% per year.

Qorvo Biotechnologies, LLCBenefit Plans. You will be eligible for all Zomedica benefit plans offered to Zomedica employees according to the terms of those plans, effective the first of the month following date of hire. This includes medical insurance, a 401(k) plan, and employer-paid vision, dental, short-term disability, long-term disability, and life insurance.

Structured Monitoring Products,PTO. In addition to Zomedica's ten paid holidays and two floating holidays in a full calendar year, you will enjoy three weeks of PTO annually. Accrual of PTO begins on your first day of employment.

Severance. In the event that the Company exercises its right to terminate your employment without cause, then the Company shall pay you an amount equal to six months of base salary over the six-month period following the termination date, in accordance with the Company's payroll process and

procedures, subject to applicable tax withholdings.

Change of Control. In the event that Zomedica experiences a "change of control," and you are separated from Zomedica as a result, you will be provided a severance payment of one year's base salary. Severance will be paid in a lump sum on the Company's first ordinary payroll date following your "separation from service" (within the meaning of Section 409A of the Internal Revenue Code), subject to any delay required under Treasury Regulation Section 1.409A-3(i)(2). For purposes of this letter, a "change of control" shall mean a "change of control of the Corporation" as defined in Zomedica's Amended and Restated Stock Option Plan (as in effect on the date hereof and filed with the U.S. Securities and Exchange Commission).

This offer of employment is not intended to, nor does it, constitute a contract of employment. Your employment with Zomedica Inc., will be on an at-will basis, consistent with applicable law. This offer is subject to the successful completion of background checks, and signature to a Florida corporation confidentiality, non-compete, and non-solicitation agreement.

We acknowledge that you have an existing Employee Confidential Information, Inventions and Non-Competition Agreement with Heska Corporation dated October 8, 2012. We intend to comply with the legal requirements of the agreement, and ask that you (i) refrain from sharing any Confidential Information (as defined in that agreement) with us, and (ii) that you avoid soliciting Heska employees, contractors or customers for the purpose of modifying their relationship or diverting business away from Heska during the required periods of time set forth in that Agreement.

We have a lot of exciting work ahead of us! We are confident that you will be a significant addition to our Company and look forward to having you join our team and share in our success!

Please indicate your acceptance of this offer by signing this letter and returning it to me on or before October 23, 2023 at which time it will expire unless fully executed.

Sincerely,

/s/ Kristin Domanski

Kristin Domanski
VP of Human Resources

Acceptance:
My signature below indicates I fully agree to the terms of the employment offer designated above.

/s/ R. Kevin Klass	Oct 20, 2023
R. Kevin Klass	Date

100 Phoenix Drive, Suite 125, Ann Arbor, MI 48108 | P: +1 734-369-2555 | F: +1 734-436-4135 | www.zomedica.com

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EXHIBIT 31.1

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

I, Larry Heaton, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2023 March 31, 2024 of Zomedica Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023 May 9, 2024

/s/ Larry Heaton

Larry Heaton
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Peter Donato, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2023 March 31, 2024 of Zomedica Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023 May 9, 2024

/s/ Peter Donato

Peter Donato
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF
THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Zomedica Corp. (the "Company") for the three months ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Larry Heaton, Chief Executive Officer of the Company, and Peter Donato, Executive President and Chief Financial Officer of the Company, hereby certify, to the knowledge of the undersigned, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023 May 9, 2024

/s/ Larry Heaton

Larry Heaton
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023 May 9, 2024

/s/ Peter Donato

Peter Donato
Executive President and Chief Financial Officer
(Principal Financial and Accounting Officer)

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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