

**ZYUS**<sup>TM</sup>

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# ZYUS LIFE SCIENCES CORPORATION

(FORMERLY PHOENIX CANADA OIL COMPANY LIMITED)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTH PERIODS ENDED  
SEPTEMBER 30, 2023 AND 2022

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**TRADING SYMBOL:** TSX-V: ZYUS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating and financial performance of ZYUS Life Sciences Corporation as reported in its condensed consolidated interim financial statements (unaudited) for the three and nine months ended September 30, 2023 with the corresponding period of 2022 (the "Financial Statements") has been prepared as of November 29, 2023. This discussion is the responsibility of Management and should be read in conjunction with the Company's Q3 2023 Financial Statements and notes thereto (unaudited) and the ZYUS Life Sciences Inc.'s audited consolidated financial statements and notes thereto for the year ended December 31, 2022. All amounts referred to in this discussion are expressed in thousands of Canadian dollars, except where otherwise indicated. Per share amounts are expressed in Canadian dollars per share of ZYUS. The Board of Directors has approved the disclosure presented herein.

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

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

1. **Part 1 – Business Overview.** This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and future trends.
2. **Part 2 – Results of Operations.** This section provides an analysis of operations for the three and nine months ended September 30, 2023 and 2022.
3. **Part 3 – Liquidity, Financial Resources, and Capital Structure.** This section provides an analysis of our cash flow and outstanding debt and commitments, inclusive of the amount of financial capacity available to fund our ongoing operations and future commitments.
4. **Part 4 – Statements of Financial Position.** This section provides an analysis of our assets, liabilities, and shareholders' equity as at September 30, 2023 and December 31, 2022.
5. **Part 5 – Critical Accounting Policies and Estimates.** This section identifies those accounting policies that are considered important to our results of operations and financial condition and require significant management estimates.
6. **Part 6 – Additional Corporate Information.** This section provides information on the Company's business risks and uncertainties, common share data and dilutive securities, Non-IFRS financial performances measures and reconciliations, additional information, and additional notes to the reader of this MD&A.

Readers should be aware that:

- This MD&A contains certain "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information"). Please refer to the "Forward-Looking Statements and Information" included in the "Notes to Reader" section at the end of this MD&A.
- This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to US issuers.
- This MD&A refers to certain measures to assist in assessing financial performance. These "Non-GAAP Measures" such as EBITDA, Adjusted EBITDA and Working Capital (Net Current Assets)

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

- The technical and scientific information in this MD&A has been approved by qualified persons based on a variety of assumptions and estimates.

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

## **PART 1 – BUSINESS OVERVIEW**

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

### ***Background***

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

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

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

### ***Corporate Strategy and Goals***

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

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

- Implementation of a science-based approach to investigate the therapeutic potential of cannabinoids.
- Development of novel, proprietary drug product candidates through execution of pre-clinical, non-clinical, and clinical research.
- Pursuit of intellectual property protection of drug product candidates.
- Regulatory approval of our proprietary drug product candidates by authorities such as the U.S. Food and Drug Administration (“FDA”), European Medicines Agency (“EMA”), and Health Canada and commercialization of these proprietary therapeutics as drug products approved for use in treatment of specific diseases and indications.

- Commercialization of our non-proprietary foundational products through Canadian and international exempt medical cannabis markets.
- Development of distribution networks to facilitate access to key international markets for our non-proprietary foundational products, thereby establishing market presence in advance of regulatory approval and commercialization of our proprietary drug product candidates.
- Use of scientific evidence to educate the medical community and patients for the purpose of accelerating acceptance of cannabinoid-based therapeutics and expanding the addressable market for our non-proprietary foundational products and regulatory approved proprietary drug product candidates.

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

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

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

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

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

### ***Research and Scientific Overview***

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

We have conducted in excess of 55 non-clinical and pre-clinical studies on safety, toxicity and efficacy of ZYUS' drug product candidates and investigated the influence major and minor cannabinoids have on modulating the effect of cannabinoids, particularly single and combined cannabinoid treatments, in relevant animal models. Our pre- and non-clinical studies provide the foundation for clinical investigations of our drug product candidates in humans and, to date, ZYUS has completed a first in human Phase I clinical trial using ZYUS' first combination cannabinoid drug product candidate, Trichomylin<sup>®</sup> softgel capsules (the "Trichomylin Phase I Trial").

## **Select Strategic Relationships**

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

ZYUS has also developed strong relationships with highly respected international contract research organizations for the purposes of conducting research activities, giving ZYUS access to a broad range of laboratory support services and enabled the Company to complete research using three different animal species and gain a deeper understanding of the safety and toxicity profiles of the cannabinoids used in the Trichomylin softgel capsule, thereby reducing the risk associated with entering phase I clinical trials.

## **Intellectual Property and Patents**

Fundamental to the success of ZYUS' business is its ability to secure, maintain and enforce patent and other proprietary protection for its core technologies, inventions and know-how. ZYUS has received patents respecting the formulation used in its lead drug product candidate, Trichomylin®, in Canada, South Africa, Israel Australia, Korea and India, with patent applications pending in the United States, the European Union and Hong Kong. ZYUS has also advanced patent applications respecting its back up drug product candidate to National Entry phase in all of the previously noted jurisdictions, advanced patent applications respecting its third drug product candidate to National Entry phase in Canada and the United States, received four U.S. patents respecting its proprietary software platform, has filed a U.S. divisional patent application respecting its software platform and advanced its patent application respecting cannabinoid and software applications supported opioid tapering to National Entry phase in Canada, the United States and Australia.

## **Medical Cannabis and Exempt Market Overview**

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

## **Corporate Developments**

### Distribution of Holdback Shares

On July 31, 2019, ZYUS acquired all issued and outstanding shares of Revon Systems, Inc. ("Revon"), a Kentucky-based healthcare technology company. Additional contingent consideration of 95,271 ZYUS Life Sciences Inc. common shares (the "ZYUS Holdback Shares") were issued on the fourth anniversary of the transaction. The ZYUS Holdback shares were subject to the RTO Exchange ratio; as such, in the third quarter of 2023, 68,084 Common Shares of ZYUS Life Sciences Corporation (the "Resulting Issuer Holdback Shares") were issued to the former shareholders of Revon (thereby fully satisfying the contingent consideration to the former shareholders of Revon).

## **Recent Highlights**

### Intellectual Property Filings

During the Corporation's second quarter, the following patent applications were filed:

- a. United States: continuation in part No. US 18/336,432, being a continuation in part of Patent Application No. US 17/225,968.
- b. US Provisional Patent Application No. 63/595,479.

### Trichomylin Phase 1 Trial Results

The Corporation received its clinical study report and positive results respecting its Trichomylin Phase 1 Trial in November 2023. Key highlights respecting Trichomylin and the positive clinical trial results include:

1. **Safety and Tolerability:** Trichomylin softgels exhibited favourable safety and tolerability profiles, with no SAEs, no dose-limiting toxicities and no trial suspension reported.
2. **Unique Mechanism of Action:** Trichomylin softgels target the endocannabinoid system, a unique mechanism of action that sets it apart from conventional pain management therapies.
3. **Patient Retention:** The trial achieved a high rate of participant retention, with 97.5 percent of the enrolled participants completing the study, showcasing the feasibility, subject acceptability and engagement and high quality of the study.
4. **Patent Protection:** The formulation for Trichomylin softgels has received patent protection in Canada, Australia, Israel, India, Korea, and South Africa. Additionally, patent applications have been filed in the U.S. and European Union.

## PART 2 - RESULTS OF OPERATIONS

The following tables outline select data relating to the Company's Results of operations for the three and nine months ended September 30, 2023 and 2022.

<i>Three months ended September 30,</i>	<b>2023</b>		<b>2022</b>	
<b>Financial Data</b>				
Sales	\$	99	\$	84
Cost of sales	\$	46	\$	26
General and administrative	\$	2,837	\$	2,208
Research and development	\$	222	\$	277
Depreciation and amortization	\$	760	\$	1,090
Share-based compensation	\$	1	\$	9
Medical education, branding and marketing	\$	86	\$	127
Finance costs	\$	301	\$	1,487
Derivative loss (gain)	\$	-	\$	(11)
Loss before income tax	\$	(4,214)	\$	(7,350)
Net loss	\$	(4,193)	\$	(7,333)
EBITDA <sup>(1)</sup>	\$	(3,153)	\$	(4,773)
Adjusted EBITDA <sup>(1)</sup>	\$	(2,892)	\$	(2,376)
<b><i>Nine months ended September 30,</i></b>				
<b>Financial Data</b>				
Sales	\$	254	\$	223
Cost of sales	\$	100	\$	73
General and administrative	\$	8,421	\$	6,925
Research and development	\$	840	\$	2,033
Depreciation and amortization	\$	2,291	\$	3,272
Share-based compensation	\$	31	\$	90
Medical education, branding and marketing	\$	223	\$	530
Finance costs	\$	3,565	\$	3,855
Derivative loss (gain)	\$	1,115	\$	(548)
Loss before income tax	\$	(18,164)	\$	(18,720)
Net loss	\$	(18,106)	\$	(18,663)
EBITDA <sup>(1)</sup>	\$	(12,308)	\$	(11,593)
Adjusted EBITDA <sup>(1)</sup>	\$	(8,319)	\$	(7,576)

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

For the three months ended September 30, 2023, EBITDA was \$(3.2) million (Q3 2022 - \$(4.8) million). Period over period, this variance is attributable to lower Net loss, finance costs and, depreciation and amortization. For the three months ended September 30, 2023, Adjusted EBITDA was \$(2.9) million (Q3 2022 - \$(2.4) million); this variance is largely attributable to a higher Net loss, Finance expense and Depreciation in Q3 2023, offset by and impairment charge.

For the nine months ended September 30, 2023, EBITDA was \$(12.3) million (Q3 2022 - \$(11.6) million). Period over period, this variance is attributable to lower Net loss and, depreciation and amortization. For the nine months ended September 30, 2023, Adjusted EBITDA was \$(8.3) million (YTD Q3 2022 - \$7.6 million); this variance is largely attributable to the Listing expense recorded in conjunction with the RTO transaction offset by lower Research and development expenditures.

### **Sales**

The Company's revenue is derived from exempt market sales in Canada. Exempt market sales of \$0.1 million for the three months ended September 30, 2023 were comparative period over period. Year to date, exempt market sales were \$0.3 million (YTD Q3 2022 - \$0.2 million). Year to date, this variance is attributable to an increased number of active patients and higher number of exempt market sales.

### **Cost of Sales**

Cost of sales of \$0.04 million for the three months ended September 30, 2023 and of \$0.1 million for the nine months ended September 30, 2023 were relatively unchanged period of period and year over year (September 30, 2022 - \$0.03 million; YTD Q3 2023 - \$0.07 million).

### **Operating Expenses**

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

#### General and Administrative Expense

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

General and administrative expense was \$2.8 million for the three months ended September 30, 2023 (Q3 2022 - \$2.2 million). Year to date, General and administrative expense was \$8.4 million (YTD Q3 2022 - \$6.9 million). Period over period and year over year, this variance is largely attributable to higher compensation costs, professional fees and insurance expense.

#### Research and Development

Our research and development activities are both upstream and downstream in nature. Our upstream research is focused on the discovery and development of proprietary cannabis strains to establish a portfolio of exempt

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

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

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

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

Research and development expense includes clinical trial expenses, salary and benefits, laboratory facility expenses and other expenses. For the three months ended September 30, 2023, Research and development expense of \$0.2 million, net of scientific research and development tax credits, was relatively unchanged period over period (Q3 2022 - \$0.3 million). Year to date, Research and development expense was \$0.8 million (YTD Q3 2022 - \$2.0 million). Period over period and year over year, the decrease in this expense is largely attributable to decreased clinical trial expenditures associated with the Company nearing completion of its Phase I clinical trial and activities relating to that trial coming to an end.

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

#### Depreciation and Amortization

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

For the three months ended September 30, 2023, Depreciation and amortization expense was \$0.8 million (Q3 2022 - \$1.1 million), a decrease of 30 percent period over period. Year to date, Depreciation and amortization expense was \$2.3 million (YTD Q3 2022 - \$3.3 million). Period over period and year to date, these decreases are attributable to a decrease in the asset base subject to depreciation and amortization due to fewer capital purchases in 2023 and due to impairment of certain intangible assets in the third quarter of 2022.

#### Share-based Compensation

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

No grants of stock options or other share-based compensation were made during the first nine months of the current and prior years. For the three months ended September 30, 2023, Share-based compensation expense was comparable period over period. Year-to-date, Share-based compensation expense was relatively

unchanged year over year. The variance observed is attributable to the timing of stock option grants and the scheduling of the corresponding expense according to the vesting terms of the respective option agreements.

#### Medical education, branding and marketing

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

For the three months ended September 30, 2023, Medical education, branding and marketing expenses of \$0.1 million (Q3 2022 - \$0.1 million) were comparable period over period. Year to date, Medical, branding and marketing expenses of \$0.2 million, a \$0.3 million decrease year over year (YTD Q3 2022 - \$0.5 million). Year over year, this decrease is attributable to decreased salaries and initiatives versus the comparative prior period.

#### Impairment of intangible assets

During the quarter ended September 30, 2022, the Company had taken steps to discontinue the use of certain information technology assets. As a result, an impairment of \$2.1 million (representing the remaining net book value of the discontinued intangible assets) was recognized. This charge was non-recurring in nature and a similar expense has not been recorded in the current year, as there were no indicators of impairment noted during the period end.

#### *Listing Expense*

The Arrangement Agreement pursuant to the RTO constituted a reverse business acquisition and has been accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based payment, as Phoenix did not meet the definition of a business, as defined in IFRS 3, Business Combinations, with ZYUS Life Sciences Inc. as the accounting acquiror (legal subsidiary). Accordingly, Phoenix's shareholders' equity balances at September 30, 2023, have been eliminated in the condensed consolidated interim statement of financial position.

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

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

### Listing Expense

Number of pre-exchange shares to acquire Phoenix <sup>(1)</sup>		<b>6,507,711</b>
<hr/>		
Deemed equity issuance	\$	10,412
Settlement of Phoenix Unit <sup>(2)</sup>		(1,767)
<hr/>		
	\$	8,645
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<b>Consideration</b>		
Cash and cash equivalents	\$	4,931
Short-term investments		1,810
Other receivables		37
Accounts payable		(91)
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<b>Net Assets Acquired</b>	\$	6,687
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<b>Listing expense <sup>(1)</sup></b>	\$	1,958

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

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

### Investment and Other Income

For the three months ended September 30, 2023, Investment and other income was comparable period over period. Year to date, Investment and other income was \$0.5 million (YTD Q3 2022 - \$0.1 million). Year to date, this variance is attributable to a gain recorded in respect of a below market rate loan secured by the Company and a gain associated with a change in market value with respect to certain Short-term investments.

### Finance Costs

Finance costs consist of banks charges, interest expense and accretion in relation to the Company's debt financings. For the three months ended September 30, 2023, Finance costs were \$0.3 million (Q3 2022 - \$1.5 million). Year to date, Finance costs were \$3.6 million (YTD Q3 2022 - \$3.9 million). Period over period and year over year, these variances are largely attributable to the timing of interest expense in relation to the Company's additional debt financings completed during 2022.

### Derivative loss (gain)

On the condensed consolidated statements of financial position (unaudited), there was a derivative liability in relating to the conversion rights on certain debt instruments; this liability varied in respect of the value attributable to the embedded derivative liability relating to a conversion to equity option contained within the Company's convertible debentures and convertible promissory notes. For the three months ended September

30, 2023, derivative loss of \$nil was comparable period over period. Year to date, Derivative loss was \$1.1 million (YTD Q3 2022 - \$0.5 million gain).

On June 9, 2023, all of the Company's convertible debentures and convertible promissory notes, and accrued interest thereon, were converted to common shares of ZYUS. This conversion has resulted in the reclassification of the Derivative liability to Share capital during the second quarter of 2023.

### **Deferred Income Tax Recovery**

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

### **Net Loss**

For the three months ended September 30, 2023, Net loss of \$4.2 million (\$0.06 per share) was \$3.1 million lower than Net loss of \$7.3 million (\$0.19 per share) for the same period in 2022. Period over period, this variance is largely attributable to lower depreciation and amortization and lower finance costs due to settlement of the Company's convertible debt during the second quarter of 2023; in addition, an impairment charge of \$2.1 million on certain intangible assets was recorded in Q2 2022. Year to date, Net loss of \$18.1 million (\$0.35 per share) was \$0.6 million lower than the Net loss of \$18.7 million (\$0.49 per share) for the first nine months of 2022. Year over year, this variance is attributable to lower General and administrative, Depreciation and amortization and Medical education, branding and marketing expenses; in addition, increased investment and other income contributed to the positive variance. These amounts were offset by the \$1.9 million listing expense recorded in respect of the RTO completed during the second quarter of 2022 and an increased derivative loss.

### **Selected Quarterly Financial Data**

	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021
Revenue	99	77	78	75	84	73	66	67
Cost of sales	46	27	27	28	26	24	23	21
Net loss <sup>(1)(2)</sup>	(4,193)	(9,232)	(4,681)	(6,866)	(7,333)	(5,835)	(4,681)	(7,048)
Net loss per share (basic and diluted) <sup>(1)(2)</sup>	(0.06)	(0.20)	(0.12)	(0.18)	(0.19)	(0.15)	(0.12)	(0.19)

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

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

### **Trends**

- Exempt market sales have increased slightly due to increased patients.
- Increase in Q2 2023 Net loss attributable to: Listing expense and transaction costs associated with completion of the RTO; and increased Derivative loss.
- Decrease in Q3 2023 Net loss attributable to: lower Finance costs and lower Depreciation and amortization.

## **PART 3 - LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Company's primary liquidity and capital requirements are for research and development, capital expenditures, inventory, working capital and general corporate purposes. At September 30, 2023, Cash and cash equivalents were \$7.3 million (December 31, 2022 - \$0.2 million); in addition, at September 30, 2023 there were \$1.8 million of Short-term Investments. At September 30, 2023, net current assets (current assets less current liabilities) was \$1.8 million (December 31, 2022 – working capital deficit of \$8.0 million). The

Company's ability to fund operating expenses, including research and development, will depend on its future operating performance and its ability to raise capital which will be affected by general economic conditions, financial, regulatory and other factors, including factors beyond the Company's control.

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

The following table provides information about the Company's financing during the nine months ended September 30, 2023 and 2022.

<i>Nine months ended September 30,</i>	<b>2023</b>	<b>2022</b>
Cash flows from (used in):		
Operations	\$ (15,196)	\$ (7,752)
Investing activities	4,832	(290)
Financing activities	17,472	7,446
Net increase (decrease) in cash	\$ 7,108	\$ (596)
Cash, beginning of year	\$ 212	\$ 750
Cash and cash equivalents, end of period	\$ 7,320	\$ 154

### ***Operating Activities***

Operating cash flow, equity financings and debt financings have been the Company's primary source of liquidity. During the first nine months of 2023, the Company's cash flows from operations were \$15.2 million (YTD Q3 2022 - \$7.8 million). From time to time, the Company enhances its liquidity and supplements operating cash flow through a combination of equity issuances and debt financing. The principal use of operating cash flow is to fund the Company's operating and capital expenditures at its production facilities; general and administrative costs; and debt service payments.

### ***Investing Activities***

Net cash provided in investing activities during the first nine months of 2023 was \$4.8 million (YTD Q3 2022 - \$0.3 million used in investing activities), consisting of additions to property, plant and equipment and the acquisition of Phoenix net of cash and cash equivalents.

### ***Financing Activities***

Net cash of \$17.5 million was provided by the Company's financing activities during the first nine months of 2023 (YTD Q3 2022 - \$7.5 million). Proceeds of \$2.8 million from the issuance of loans and borrowings and of \$18.4 million from the issuance of ZYUS Life Sciences Inc. common shares (which were subsequently converted into shares of ZYUS Life Sciences Corporation pursuant to the Exchange Ratio in the RTO) were offset by \$3.6 million of debt repayment (YTD Q3 2022 - proceeds from the issuance of loans and borrowings of \$7.6 million).

### ***Future Operations and Liquidity***

The Company is an early development-stage company with limited operating history and negative historical cash flow from operating activities. Furthermore, the Company has significant purchase commitments. As at September 30, 2023, the Company had incurred an accumulated deficit of \$113.6 million and has net current assets (current assets less current liabilities) of \$1.8 million. The Company had \$9.1 million of Cash and Short-term investments as at September 30, 2023 (December 31, 2022: \$0.2 million) and intends to raise additional capital in the future to fund research, development and corporate activities.

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

Despite the additional financing received, the Company will require additional financing in the future to fund planned research and operating activities. The ability of the Company to continue as a going concern depends on the Company maintaining its licenses with Health Canada, the continued support of its lenders, its ability to achieve profitable operations and its ability to raise additional financing to fund current and future operating and investing activities. There is no assurance that the Company will be able to accomplish any of the foregoing objectives or at an acceptable cost. As a result of these factors, a material uncertainty exists that may cast significant doubt as to the Company's ability to continue as a going concern.

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

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

<b>Schedule of Capital Structure of the Company</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Debt	\$ 7,862	\$ 31,698
Shareholders' equity	46,734	4,741
	\$ 54,596	\$ 36,439
Debt to equity	0.17	6.69

### ***Off Balance Sheet Arrangements***

The Company has no off-balance sheet arrangements.

### ***Financial and Other Instruments***

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

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of those instruments. In addition, the Company's Loans and borrowings approximate their carrying value as there has been no material change in the Company's credit

risk since the issuance of these instruments. Short-term and long-term investments are based on quoted market prices (Level 1).

**Fair value measurements of the derivative liabilities is as follows:**

	Carrying Amount	Fair value measurement using		
		Level 1	Level 2	Level 3
<b>September 30, 2023</b>				
Recurring measurements:				
Short-term investments	\$1,794	\$1,794	-	-
Financial liabilities				
Derivative liabilities	\$nil	-	-	\$nil

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

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

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

***Contractual Obligations***

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows, incurring debt and or the issuance of share capital. At September 30, 2023, the Company had cash and marketable securities totaling \$9.1 million. During the second quarter of 2023, all convertible debentures and convertible promissory notes, and accrued interest thereon, were converted in equity of the Company due to the RTO qualifying as a triggering event under those instruments.

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

***Key Sensitivities***

Earnings from the Company's consolidated operations are sensitive to fluctuations in both commodity and currency prices. Currency risk arises as a result of the Company's investment in its foreign subsidiaries. Management believes this risk is reduced by the fact that these subsidiaries operate in an economically stable foreign countries and results of these operations, with the exception of ZYUS Life Sciences Australia Pty Ltd (which has historically had large Research and development expenditures) are not material. The Company's exposure to foreign currency changes is considered to be not material.

## PART 4 - STATEMENTS OF FINANCIAL POSITION

### Highlights

<b>Select Statement of Financial Position Data</b>			
	<b>September 30,</b>		<b>December 31,</b>
	<b>2023</b>		<b>2022</b>
Total assets	\$	<b>71,833</b>	\$ 64,712
Current liabilities	\$	<b>13,753</b>	\$ 14,268
Non-current liabilities	\$	<b>11,346</b>	\$ 45,703

### Assets

ZYUS's asset base primarily consists of Cash, Short-term investments, Inventories, Prepaid expenses and other assets, Property, plant and equipment, Right-of-use lease assets, Intangible assets and goodwill. Total assets increased by \$7.1 million during the first nine months of 2023, primarily attributable to an increase of \$8.9 million in Cash and Short-term investments (associated with completion of the RTO and concurrent financing), offset by decreases of \$1.9 million to Property, plant and equipment (largely attributable to depreciation) and \$0.1 million to Intangible assets (associated with amortization and by foreign exchange differences attributable to certain intangible assets within ZYUS Life Sciences U.S. Ltd.).

### Liabilities

Current liabilities were \$13.8 million at September 30, 2023 (December 31, 2022 - \$14.3 million). This variance is attributable to a decrease of \$6.8 million of Accounts payable and accrued liabilities offset by the reclassification of certain loans and borrowings from non-current liabilities to current liabilities (due to maturity dates within the next 12 months).

Non-current liabilities were \$11.3 million at September 30, 2023 (December 31, 2022 - \$45.7 million). This decrease is largely attributable to a \$30.1 million decrease in loans and borrowings due to the conversion of certain loans and borrowings to common shares of the Company associated with a triggering event in respect of the RTO. In addition, in conjunction with the conversion of the convertible debt into common shares, the Derivative liability associated with the convertible debt was reclassified to share capital. Finally, the reclassification of certain loans and borrowings to current (due to maturity dates within the next 12 months) contributed to the decrease noted.

### Shareholders' Equity

Shareholders' equity increased by \$42.0 million to \$46.7 million at September 30, 2023, from \$4.7 million at December 31, 2022. This variance is mainly attributable to an increase in Share capital of \$60.2 million (due to the completion of the RTO in the second quarter of 2023 which included a concurrent financing and conversion of convertible debt into common shares and due to the issuance of holdback shares during the third quarter of 2023), offset by a Net loss of \$18.1 million (increasing the Deficit to \$115.7 million).

## PART 5 – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### ***Changes in Accounting Policies***

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

### ***New Standards and Interpretations Not Yet Adopted***

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

### ***Estimates and Judgements***

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

## **PART 6 – ADDITIONAL CORPORATE INFORMATION**

### ***Business Risks and Uncertainties***

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

### ***Common Share Data***

The authorized share capital of the Company consists of common shares. The rights, privileges, restrictions and conditions attached to each series of shares are determined by the Board of Directors at the time of creation of such series. The common shares of the Company are entitled to vote at all meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive such assets of the Company as are distributable to the holders of the common shares. At September 30, 2023, the Company had 69,847,396 common shares issued and outstanding (December 31, 2022 – 38,533,356 <sup>(1)</sup>).

	Number of Common Shares
Balance – December 31, 2022 <sup>(1)</sup>	38,533,356
Deemed consideration in RTO transaction	5,314,103
Equity issue	8,862,768
Issue costs	-
Conversion of convertible debt	17,070,085
Revon Holdback Shares	67,084
<b>Balance – September 30, 2023</b>	<b>69,847,396</b>

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

### ***Stock Options and Warrants***

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

At September 30, 2023, there were 2.2 million common share stock options outstanding with exercise prices ranging from \$1.42 to \$8.09 per common share (September 30, 2022 <sup>(1)</sup> - 2.2 million common share stock options outstanding with exercise prices ranging from \$1.42 to \$8.09 per common share).

At September 30, 2023, there were 3.9 million common share purchase warrants outstanding with exercise prices ranging from \$2.27 to \$3.55. These warrants have expiry dates ranging from February 23, 2024 to September 29, 2025 (September 30, 2022<sup>(1)</sup> – 3.6 million common share purchase warrants outstanding with expiry dates ranging from February 23, 2024 to February 2, 2025).

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

### ***Non-IFRS Financial Performance Measures and Reconciliations***

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

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

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

<b>Calculation of EBITDA and Adjusted EBITDA</b>		
<i>Three months ended September 30,</i>	<b>2023</b>	<b>2022</b>
Net loss	\$ (4,193)	\$ (7,333)
Deferred income tax recovery	(21)	(17)
Finance costs	301	1,487
Depreciation and amortization	760	1,090
<b>EBITDA</b>	<b>\$ (3,153)</b>	<b>\$ (4,773)</b>
Inventory write-off	38	31
Share-based compensation	1	9
Derivative loss (gain)	-	(11)
Impairment of intangible assets	-	2,091
Research and development	222	277
<b>Adjusted EBITDA</b>	<b>\$ (2,892)</b>	<b>\$ (2,376)</b>

<b>Calculation of EBITDA and Adjusted EBITDA</b>		
<i>Nine months ended September 30,</i>	<b>2023</b>	<b>2022</b>
Net loss	\$ (18,106)	\$ (18,663)
Deferred income tax recovery	(58)	(57)
Finance costs	3,565	3,855
Depreciation and amortization	2,291	3,272
<b>EBITDA</b>	<b>\$ (12,308)</b>	<b>\$ (11,593)</b>
Inventory write-off	45	351
Listing expense	1,958	-
Share-based compensation	31	90
Derivative loss (gain)	1,115	(548)
Impairment of intangible assets	-	2,091
Research and development	840	2,033
<b>Adjusted EBITDA</b>	<b>\$ (8,319)</b>	<b>\$ (7,576)</b>

### **Other Financial Measures**

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

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

<b>Calculation of Working Capital (Net Current Assets)</b>		
	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Current assets</b>		
Cash	\$ 7,320	\$ 212
Short-term investments	1,794	-
Accounts receivable	522	243
Inventory	3,952	4,202
Prepaid expenses and other assets	2,000	1,609
<b>Non-current assets</b>		
Accounts payable and accrued liabilities	(6,252)	(13,038)
Loans and borrowings	(7,155)	(899)
Lease obligations	(346)	(331)
<b>Working Capital</b>	<b>\$ 1,835</b>	<b>\$ (8,002)</b>

### **Additional Information**

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

### **Notes To Reader**

#### **Caution Regarding Forward-Looking Statements and Information**

This discussion and analysis of our financial condition and results of operations should be read in conjunction with our annual audited consolidated financial statements and the notes thereto and our unaudited condensed consolidated interim financial statements and the notes thereto (unaudited). This discussion contains forward-

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

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

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

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

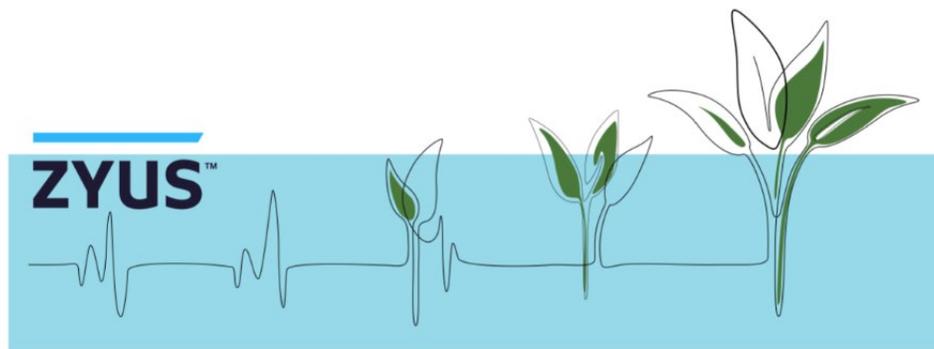
- our business segments are heavily regulated in Canada and internationally;
- the regulatory regime is evolving and uncertainty exists regarding the impact of the regime on the Company;
- the inability to successfully complete clinical trials or obtain regulatory approval of products;
- contractual rights, foreign exchange restrictions, currency fluctuations and tax increases;
- the potential inability to obtain or retain licenses required to grow, store, sell and conduct research using cannabis;
- potential involvement in regulatory or agency proceedings, investigations, and audits;
- compliance with evolving environmental, health and safety laws;
- potential government policy changes or shifts in public opinion;
- the cannabis industry and market is subject to general business risks, and those associated with regulated consumer products;
- competitive conditions, consumer tastes, patient requirements and spending patterns remain relatively unknown;
- there are no assurances that the medical cannabis industry and market will continue to exist or grow as anticipated;
- future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to, medical cannabis;
- the inability to retain and attract employees and key personnel;
- potential for delays in obtaining regulatory approvals;

- potential increases in material and labour costs;
- we have incurred losses since inception and may continue to incur losses in the future;
- the potential to experience difficulty developing new products, protecting intellectual property and remaining competitive;
- the completion and commercial viability of new products in the research and development stage;
- reliance on third-party manufacturers, contract research organizations and distributors;
- there can be no assurances of profit generation or immediate results;
- shareholder dilution pursuant to additional financings;
- compliance with laws relating to privacy, data protection, and consumer protection;
- potential for information systems security threats;
- we are reliant on key suppliers and skilled labour;
- inability to effectively implement quality control systems;
- there is a potential for conflicts of interest to arise among our key stakeholders;
- exposure to product recalls, liability claims, regulatory action and litigation based on products;
- we may be unable to protect intellectual property and receive regulatory approval of our products in relevant markets;
- the market price for our shares may be volatile and subject to wide fluctuations;
- outside factors may harm our reputation;
- securities analysts may publish negative coverage.

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

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

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



**Advancing the science of well-being™**