# INTERIM CONSOLIDATED FINANCIAL REPORT

FOR THE PERIOD ENDED
AUGUST 31, 2015

# INTERIM CONSOLIDATED FINANCIAL REPORT
# AS AT AUGUST 31, 2015 AND 2014


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**To the shareholders of**
**ZOOMMED INC.**

# MANAGEMENT COMMENTS

The interim consolidated financial report of ZoomMed Inc. for the three-month periods ended August 31, 2015 and 2014 and all information contained in this interim consolidated financial report is the responsibility of the management and has been approved by the Board of Directors.

The consolidated interim financial report was prepared by the management in accordance with International Financial Reporting Standards ("IFRS") and is consistent with the Company's business.

The Company complies with its TSX Venture Exchange listing agreement. The Company maintains rigorous systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the assets are correctly accounted for and protected.

Every year the Board of Directors appoints an Audit Committee composed of a majority of directors who are neither Company officers nor employees. The Audit Committee meets periodically with Management and the external auditors to review their tasks and discuss the audit, accounting policies and related financial matters. The results of their audit are discussed as well. The Audit Committee also reviews the financial statements and the independent auditors' report and recommends their approval by the Board of Directors.

The interim consolidated financial report for the three-month periods ended August 31, 2015 and 2014, has not been reviewed or audited by independent auditors.

October 23, 2015

(Signed) Yves Marmet

**Yves Marmet,**
President and Chief Executive Officer

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)**
**AS AT AUGUST 31, 2015 AND MAY 31, 2015**

| | August 31, 2015 (unaudited) | May 31, 2015 (audited) |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 220,727 | 574,273 |
| Receivables (Note 8) | 287,562 | 331,908 |
| Prepaid expenses | 24,507 | 19,202 |
| | 532,796 | 925,383 |
| **Non-current assets** | | |
| Fixed assets (Note 9) | 10,830 | 4,885 |
| Intangible assets (Note 10) | 914,916 | 1,035,619 |
| **Total assets** | 1,458,542 | 1,965,887 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Payables (Note 13) | 460,394 | 512,637 |
| | 460,394 | 512,637 |
| **Non-current liabilities** | | |
| Provision for loss-making contracts (Note 5) | 25,760 | 30,009 |
| **Total liabilities** | 486,154 | 542,646 |
| **SHAREHOLDERS' EQUITY** | | |
| **Share capital** (Note 16) | 25,509,437 | 25,509,437 |
| **Contributed surplus** | 6,635,055 | 6,635,055 |
| **Deficit** | (31,172,104) | (30,721,251) |
| **Total equity** | 972,388 | 1,423,241 |
| **Total liabilities and equity** | 1,458,542 | 1,965,887 |

**ON BEHALF OF THE BOARD OF DIRECTORS**

(Signed) Yves Marmet, Chairman of the Board and Chief Executive Officer

(Signed) Marie-Hélène Pinard, Director and Chief Financial Officer

| | Share capital | Contributed surplus | Deficit | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance as at May 31, 2015** | 25,509,437 | 6,635,055 | (30,721,251) | 1,423,241 |
| Net result | - | - | (450,853) | (450,853) |
| **Balance as at August 31, 2015** | 25,509,437 | 6,635,055 | (31,172,104) | 972,388 |

| | Share capital | Contributed surplus | Deficit | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance as at May 31, 2014** | 25,509,437 | 6,568,175 | (34,485,154) | (2,407,542) |
| Net result | - | - | (798,078) | (798,078) |
| **Balance as at August 31, 2014** | 25,509,437 | 6,568,175 | (35,283,232) | (3,205,620) |

| | August 31, 2015 (3 months) (unaudited) | August 31, 2014 (3 months) (unaudited) |
|---|---|---|
| | $ | $ |
| **CONTINUING OPERATIONS** | | |
| **REVENUE** | - | - |
| **OPERATING EXPENSES** (Note 14) | | |
| Selling expenses | 20,145 | 17,872 |
| Administrative expenses | 218,242 | 192,640 |
| General operating expenses | 48,322 | 59,706 |
| Development cost | 175,393 | 203,008 |
| Financial expenses | 2,655 | (947) |
| | 464,757 | 472,279 |
| **LOSS BEFORE INCOME TAXES** | (464,757) | (472,279) |
| **INCOME TAXES** | - | - |
| **Net loss from continuing operations** | (464,757) | (472,279) |
| **Net profit (Net loss) from discontinued operations in a geographical area** (Note 4) | 13,904 | (325,799) |
| **NET RESULT AND COMPREHENSIVE INCOME** | (450,853) | (798,078) |
| **Basic and diluted net result per share from continuing operations** | (0.003) | (0.003) |
| **Basic and diluted net and comprehensive result per share** | (0.003) | (0.006) |
| **WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES** | 135,591,268 | 135,591,268 |

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**
**FOR THE THREE-MONTH PERIODS ENDED AUGUST 31, 2015 AND 2014**

| | August 31, 2015 (3 months) (unaudited) | August 31, 2014 (3 months) (unaudited) |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Consolidated net and comprehensive income | (450,853) | (798,078) |
| Net result from discontinued operations in a geographical area | 13,904 | (325,799) |
| **Net result from continuing operations** | (464,757) | (472,279) |
| Amortization | 121,671 | 112,432 |
| Exchange rate variation | - | (1,515) |
| **Net result from discontinued operations** | 13,904 | (325,799) |
| Amortization | - | 1,579 |
| Interest on debenture | - | 14,505 |
| Gain on disposal of fixed assets | - | (575) |
| Lease inducements | - | (276) |
| Provision from loss-making contracts | (4,249) | - |
| | (333,431) | (671,928) |
| Net change in non-cash operating working capital items | (13,202) | 856,465 |
| Cash flows used in operating activities | (346,633) | 184,537 |
| **FINANCING ACTIVITIES** | | |
| **Continuing operations** | - | - |
| **Discontinued operations in a geographical area** | | |
| Repayment short-term debt | - | (308,520) |
| Cash flows used in (from) financing activities | - | (308,520) |
| **INVESTING ACTIVITIES** | | |
| **Continuing operations** | | |
| Acquisition of fixed assets | (6,913) | - |
| Acquisition of intangible assets | - | (32,499) |
| **Discontinued operations in a geographical area** | | |
| Proceeds from disposal of fixed assets | - | 575 |
| Cash flows from investing activities | (6,913) | (31,924) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (353,546) | (155,907) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 574,273 | 159,921 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | 220,727 | 4,014 |

Cash flows used in operating activities include interest expenses of $86,911 for the three-month period ended August 31, 2014.

## 1. GENERAL INFORMATION

ZoomMed Inc. ("ZoomMed") was incorporated under the Canada Business Corporations Act on February 24, 2005.

ZoomMed Inc. and its subsidiaries (the "Company") are committed to the development and the marketing of a broad range of computer applications designed for healthcare professionals.

The Company has developed the "ZRx Prescriber", a technological innovative Web application that enables physicians to quickly generate prescriptions on their computer, tablet or smartphone. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR). ZoomMed's communication network is a clinical information exchange platform between physicians and the various other stakeholders of the healthcare sector, such as pharmacists, specialists, pharmaceutical corporations, private insurers, laboratories, specialized clinics and others. This network includes among others, the "ZRx Access" platform that allows bidirectional exchange of prescription information between physicians and pharmacists, as well as "ZRx benefits" for the transmission of certain insurance plans information from insurance companies, in order to inform physicians about their patient's type of coverage when they write the prescription.

The Company also owns "PraxisLab", a new pharmacy management software that enhances all aspects of the prescription filling process and the complete pharmacists patient file management. PraxisLab uses state-of-the-art protocols and up-to-date software standards.

On September 2, 2014, the Company sold the technology of its ZRx Prescriber in the Canadian market to Emergis Inc., group member of Telus Health Solutions "Telus Health" and 50% of intellectual property rights worldwide, except in Canada, the United States and the United Kingdom (Note 4).The Company will continue marketing this product for international markets, specifically the United States and the United Kingdom.

In 2011, the ZRx Prescriber was certified by "Surescripts", the largest national health network in the United States. Thus, the ZRx Prescriber is already connected to more than 60,000 pharmacies and to the majority of insurers and drug payers in the market.

In April 2013, the Company entered into an exclusive licensing agreement for the distribution rights, licensing and sublicensing of the ZRx Prescriber in the United States with EvEMR Inc. This agreement was terminated by the Company, no later than December 30, 2014, due to numerous important deficiencies regarding the terms of this licensing agreement from EvEMR Inc.

Since the Company already spent a lot of time and efforts to develop the American market, its short-term business plan is to carry on its expansion in this market and then access the United Kingdom market.

ZoomMed Inc. common shares are trading on the TSX Venture Exchange under ZMD symbol.

The Company's registered head office is located at 6300 Auteuil Avenue, Suite 121, Brossard, Québec, Canada, J4Z 3P2.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim consolidated financial statements have been approved by the Board of Directors on October 23, 2015.

These interim consolidated financial statements have been prepared in accordance with a going concern. Under the going concern assumption, a Company is viewed as being able to continue its operations in the foreseeable future, and realize its assets and discharge its liabilities in the normal course of operations.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT.)

The continuity of the Company's business depends on its abilities to market its technology outside of Canada. It is not possible to predict, at this point, whether these elements will materialize.

The interim consolidated financial statements do not reflect adjustments that should be made to the book value of assets and liabilities in the case where the Company would be unable to realize its assets and discharge its liabilities in the normal course of operations.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention, except for other measurement bases, as indicated in the related notes.

**Consolidation**

The consolidated financial statements include the accounts of ZoomMed Inc. and its subsidiaries ZoomMed Médical Inc., Praxis Santé Inc. and ZoomMed USA Inc. All intercompany balances and transactions are eliminated upon consolidation.

As at December 14, 2014, the Company carried out a corporate reorganization in order to consolidate its assets by carrying out the liquidation of Praxis Santé Inc. in 9205-1051 Québec Inc. and merging the companies 9205-1051 Québec inc. and ZoomMed Medical Inc. into one corporation operating under the name of ZoomMed Medical Inc.

**Revenue recognition**

In general, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities.

Revenue derived from annual contracts, related to ZoomMed's communication network, is recognized using the straight-line method over the duration of the agreements. As provided in these contracts, payments received in advance are recorded as deferred revenue in the consolidated statements of financial position, and then, as operating revenue as the service is rendered.

Licensing revenue is recognized when the contract is signed.

Interest revenue is recorded on a fiscal year basis according to the effective interest rate method.

**Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Their classification depends on the purpose aimed for when the financial instruments were acquired or issued, their characteristics and their designation by the Company. Settlement date accounting is used.

All financial assets, except those designated at fair value through profit or loss, are subject to an annual impairment test and written down when there is an indication of impairment. The impairment loss is the excess of the carrying value over fair value and is recorded in the consolidated statements of net income and comprehensive income.

The classification and measurement of the Company's financial instruments are determined as follows:

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Financial assets at fair value through net results** – All instruments included in this category meet the definition of financial assets held for trading. Financial instruments held for trading are instruments that are held for the purpose of selling in the short term. Instruments in this category include cash and cash equivalents. They are measured initially and subsequently at fair value and changes in fair value are recognized in the consolidated statements of net and comprehensive income in financial income or financial expenses in the period in which they occur. The directly attributable transaction costs are recognized in net and comprehensive income.

**Loans and receivables** - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes accounts receivable and contingent consideration receivable in this category. Financial instruments included in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

**Other liabilities** - Financial instruments included in this category are initially recognized at fair value and transaction costs are deducted from the fair value. Subsequently, other liabilities are measured at amortized cost. The Company includes accounts payable, as well as the liability component of non-convertible debenture and short-term debt in this category.

**Compound instruments** - The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method.

### Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, short-term liquid investments with maturities of less than three months and bank overdrafts, if any, which are classified as a category at fair value through net result.

### Assets held for sale and discontinued operations

Assets and liabilities held for sale are not amortized anymore and are reported separately in the consolidated statement of financial position, for an amount representing the lowest value between their book value and fair value, less costs of the sale. An asset is considered as held for sale when its carrying value will be recovered mainly through a sale transaction, rather than through continuing use. In order for the sale to be classified as such, the asset must be available for immediate sale and its sale must be highly probable.

A discontinued operation represents a separate major line of business or geographical area of operations that either has been disposed of, or is classified as held for sale. Consolidated statement of financial position items relating to these discontinued operations are presented on specific lines of the annual consolidated financial statements. Comprehensive income items related to these discontinued operations are presented separately in the consolidated financial statements for all fiscal years presented if they are of significance to the Company.

### Fixed assets

Fixed assets are initially recorded at cost, including acquisition fees and all the preparation fees directly related to the asset before it can be used, less related research and development investment tax credits. Subsequent to the initial measurement, fixed assets are recorded at cost, less accumulated amortization and depreciation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Amortization is recognized on a straight-line basis, in line with the assets useful life, as follows:

| | Method | Periods |
|---|---|---|
| Furniture | Straight-line | 5 years |
| Computer equipment | Straight-line | 3 years |
| Leasehold improvements | Straight-line | 5 years |

The Company allocates the amount initially recognized in respect of a fixed asset to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful life of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of net income and comprehensive income.

**Intangible assets**

The Company's intangible assets include Website, intellectual properties, licenses and rights, development costs and software with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the consolidated statements of comprehensive income over the period of their expected useful life as follows:

| | Periods |
|---|---|
| Website | 3 years |
| Software | 2 years |
| Intellectual properties | 10 years |
| Licenses and rights | 3 years |
| Development costs | 3 years |

Expenses related to development activities, which do not meet generally accepted criteria for deferral and research activities, are expensed as incurred. Development expenses, which meet generally, accepted criteria for deferral are capitalized and amortized against income over the estimated period of benefit.

The ZRx Prescriber intellectual property is recorded at cost and is amortized over a ten-year period from the marketing date of the product, which is November 2006. On September 2, 2014, following the sale of the operating rights in the Canadian market, an impairment for the total net value was recorded (Note 12). The PraxisLab intellectual property is recorded at cost and is amortized over a ten-year period from the date of acquisition and as at May 31, 2014, a depreciation for the total net value of intellectual property has been recorded. As at May 31, 2015, a reversal of impairment of PraxisLab intellectual property was recorded (Note 11).

The ZRx Prescriber development costs, which include the development of ZoomMed's communication network and the additional new functionalities, according to future economic benefits, are amortized using the straight-line method over a three-year period from the implementation date of the product. As at May 31, 2014, an impairment for the entire PraxisLab development costs was recorded. As at May 31, 2015, a reversal of impairment of PraxisLab development costs was recorded (Note 11).

**Exchange of assets**

Intangible assets acquired through an exchange against one or more non-monetary assets are measured at fair value, unless the exchange transaction has no commercial substance or if it is not possible to assess reliably neither the fair value of the asset received nor the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying value of the asset given.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Research and development tax credits**

The Company is entitled to scientific research and development tax credits. Tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures in the period in which those expenses are incurred, provided there is reasonable assurance that the credits will be realized.

**Impairment of long-term non-financial assets**

Non-current assets with indefinite useful lives are not amortized and are tested for impairment annually. Non-current assets with a finite useful life are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is required to asses at each reporting date whether there is any indication that an asset may be impaired. Where such an indication exists, the asset's recoverable amount is compared to its carrying value and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units ("CGU").

In determining value in use of a given asset or CGU, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-current assets with finite useful life that suffered impairment are reviewed for possible reversal of the impairment if there has been a change, since the date of the most recent impairment test, in the estimates used to determine the impaired asset's recoverable amount. However, an asset's carrying amount, increased due to the reversal of a prior impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had the original impairment not occurred.

**Lease inducements**

The lease inducements include the difference between the rental expense apportioned over the lease term according to a systematic formula and the minimum lease payment, considering the inducements.

**Operating Leases**

Leases under which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments under an operating lease (less benefit received from the lessor) are recognized in the consolidated statements of net and comprehensive income on a straight-line basis over the lease term.

**Provisions**

**Nature of provisioned liabilities**
In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for risks and expenses are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management's best estimate of net income based on facts known at the reporting date. The provisions include provisions for litigation (tax, legal, employee-related), for returns, for the environment and for loss-making contracts. Litigation is kept under regular review, on a case-by-case basis, by the Company's legal department with the assistance of outside counsel for more significant or complex disputes. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### Shareholders' equity

Common shares are classified as equity and are recorded in the Shareholders' Equity at their issuance value. Incremental costs directly attributable to the issuance of shares and stock options are shown in equity as a deduction (as a deficit increase) net of tax from the proceeds. Transactions with shareholders are shown separately in equity.

### Income taxes

Income taxes are accounted for, by the Company, based on the consolidated statements of financial position method. Accordingly, future income tax assets and income tax liabilities are measured using the income tax rates that are most likely to apply during the fiscal year where the asset is realized or the liability is settled, based on the income tax rates (and tax regulations) adopted or nearly adopted as at the reporting date. As appropriate, a valuation allowance is recognized to decrease the value of future tax assets to an amount that is more likely than not to be realized.

### Employee's benefits

Wages, contributions to government pension plans, paid vacations and sick leaves, bonuses and non-monetary benefits are short-term benefits and are recognized over the period during which the employees of the Company have rendered the related services.

### Stock-based compensation

The Company offers a stock-based compensation plan. The Company uses the fair value based method of accounting as regards to stock options granted to its Officers, Directors, Employees and Consultants. The fair value of stock options is determined using the Black-Scholes option pricing model, and the stock-based compensation costs are recorded in the consolidated statements of net and comprehensive income at the granted date and credited to contributed surplus. Any consideration received by the Company in connection with the exercise of stock options is credited to share capital and contributed surplus component of the stock-based compensation is transferred to share capital upon the issuance of shares.

### Accounts denominated in foreign currencies

**Presentation currency and foreign currency operations** – The Canadian dollars is the Company's presentation currency, which is also the Company's functional currency. Foreign currency transactions are translated into the functional currency environment in which the entity operates using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the closing date are converted into functional currencies at the exchange rates prevailing at that date. All resulting changes are recognized in the profit or loss, except monetary items included into foreign institution net investment.

**Foreign institutions** - Foreign institutions' assets and liabilities denominated in functional currencies other than Canadian dollars are converted into Canadian dollars using the exchange rates prevailing at the closing date. Foreign institution revenue and expenses are converted into Canadian dollars using the exchange rates prevailing at the date of the transaction. Shareholders equity is converted at the original effective rate prevailing at the closing date. All resulting changes are recognized in other comprehensive income until the net investment is disposed of, or reclassified in the profit or loss. Since the transition date, no such resulting change was recorded as foreign institutions conversion adjustments.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Basic net earnings and diluted per share**

Basic net earnings and diluted per share are calculated using the weighted average number of outstanding common shares during the fiscal year. The Company uses the treasury stock method to determine the dilutive effects of stock options and warrants when cumulating diluted earnings per share. Accordingly, the calculation of diluted earnings per share is made using the treasury stock method, as if all potentially dilutive participating shares had been exercised at the later of the beginning of the period or the date of issuance, as the case may be, and that the funds obtained thereby had been used to purchase common shares of the Company at the average market value of the common shares during the period.

When funds are received, at the date of issuance of dilutive instruments, the net amount is adjusted net of tax expenses related to these instruments.

Diluted net earnings per share from continuing operations is the same as basic net earnings per share due to the anti-dilutive effect of stock options and warrants when the Company suffers losses and / or the stock options and warrants are issued at a premium to the average market price.

**Adoption of new accounting policies**

**IAS 32 Financial Instruments: Presentation**
In December 2012, the International Accounting Standards Board (IASB) amended IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. The amendments clarified the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

**IAS 36 Impairment of Assets**
The standard has been revised to incorporate amendments issued by the IASB in May 2013. These amendments more accurately reflect the IASB's previous decision to require the disclosure of the recoverable amount of impaired assets as well as additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

**IAS 39 Financial Instruments: Recognition and Measurement**
The standard has been revised to incorporate amendments issued by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**
IASB issued amendments in October 2012 to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. The amendments introduce an exception for investment entities to the principle that all subsidiaries must be consolidated. The amendments define an investment entity and require an investment entity to measure subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The amendments also enhance disclosure requirements for investment entities. Among other things, the amendments require an investment entity to measure its investments in subsidiaries at fair value through profit or loss in situations where it presents separate financial statements. Consequential amendments were also added to provide transitional relief for first-time adopters, to exempt an investment entity from applying IFRS 3 Business Combinations to acquisitions of subsidiaries, and to exempt an investment entity from providing some disclosures about changes in ownership interests in subsidiaries in the statement of cash flows. Since the Company is not an investment entity, these amendments did not have a material impact on its consolidated statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**IFRIC 21 Levies**

This new interpretation was issued by the IASB in May 2013. It provides guidance on the accounting for levies within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The main features of IFRIC 21 are that the obligating event that gives rise to a liability to pay a levy is the activity that triggers payment of the levy, as identified by the legislation, and that the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. Retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

**IFRS 13 - Fair Value**

In May 2011, the IASB issued IFRS 13 "Fair Value". This standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source for measuring fair value and requirements for disclosure that apply to all IFRS .

IFRS 13 is effective for fiscal years beginning on or after January 1st, 2013, when the Company adopted this new standard. The adoption of IFRS 13 required no adjustment to the valuation techniques used by the Company to estimate the fair value and did not result in any adjustment.

## 4. DISCONTINUED OPERATIONS IN A GEOGRAPHICAL AREA

Given the September 2, 2014 transaction with Telus Health, the Company discontinued operations in a geographical area. In accordance with this transaction, the Company has retained its exclusive intellectual property rights of the ZRx Prescriber for the United States and the United Kingdom and Telus Health, for its part, holds the exclusive intellectual property rights of the ZRx Prescriber for Canada.

Under IFRS 5, the Company must present and provide information in order to evaluate the financial effects of discontinued operations in a geographical area.

Net income from discontinued operations in a geographical region is presented in the consolidated statements of net and comprehensive income according to the table below.

The reclassification consisted of an allocation of income and expenses related to discontinued operations in a geographical area.

| | August 31, 2015 (3 months) (unaudited) | August 31, 2014 (3 months) (unaudited) |
|---|---|---|
| | $ | $ |
| **REVENUE** | - | 341,860 |
| **OPERATING EXPENSES** | | |
| Selling expenses | - | 206,332 |
| Administrative expenses | - | 112,513 |
| General operating expenses | - | 92,362 |
| Development cost | - | 148,661 |
| Financial expenses | (13,904) | 107,791 |
| | (13,904) | 667,659 |
| **RESULT BEFORE TAXES** | 13,904 | (325,799) |
| Taxes | - | - |
| **NET PROFIT (NET LOSS) FROM DISCONTINUED OPERATIONS IN A GEOGRAPHICAL AREA** | 13,904 | (325,799) |

## 5. PROVISION FOR LOSS-MAKING CONTRACTS

Provision for loss-making contracts is related to two contracts from discontinued Canadian operations in Toronto. The first contract is related losses from sublease under the lease of Markham and a second lease of a multifunction printer. These contracts generated a shortfall of $25,760 for the period, which will end August 31, 2017.

| | Total |
|---|---|
| | $ |
| Loss as at September 2, 2014 | 33,354 |
| Use | (3,345) |
| Balance as at May 31, 2015 | 30,009 |
| Use | (4,249) |
| Balance as at August 31, 2015 | 25,760 |

## 6. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

**Financial Instruments**

In November 2013, the IASB issued IFRS 9 (2013). IFRS 9, as amended, supersedes IFRS 9 as issued by the IASB in October 2010 and November 2009.

IFRS 9 is a three-part project to replace IAS 39, Financial instruments: Recognition and Measurement. The first part addresses the classification and measurement of financial assets and financial liabilities, while the other two parts deal with impairment of financial assets and hedge accounting. The Company will have to classify financial assets as subsequently measured either at amortized cost or at fair value, based on the Company's business model for managing the financial assets and the contractual cash flows of the financial asset. Measurement at amortized cost for most of the financial liabilities is maintained, but when an entity measures a financial liability at fair value, the changes in fair value related to the entity's own credit risk must be presented in other comprehensive income rather than in profit or loss.

IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and Measurement have been revised to incorporate amendments issued by the IASB in November 2013. These amendments: (1) add to IFRS 9 requirements related to hedge accounting based on a new hedge accounting model; (2) permit an entity to apply the hedge accounting requirements in IAS 39 in place of those in IFRS 9 for fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities; and (3) require, as part of IFRS 7, additional disclosures about an entity's risk management strategy and the effect of hedge accounting on the financial statements.

The mandatory effective date of these amended standards was temporarily removed while making it available for early application of the 2009, 2010 or 2013 standard. The Company intends to adopt these amended standards as of their effective dates, i.e. for the annual periods beginning on or after January 1, 2018, in accordance with the tentative date set by the IASB. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

**Clarification of Acceptable Methods of Depreciation and Amortization**

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets have been revised to incorporate amendments issued by the IASB in May 2014. The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

## 6. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED (CONT.)

**IFRS 15 Revenue from Contracts with Customers**
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The standard provides for a single model that applies to contracts with customers as well as two revenue recognition approaches: at a point in time or over time. The proposed model features a contract-based, five-step analysis of transactions to determine whether, when and how much revenue is recognized. New thresholds have been established for estimates and judgments, which could affect the amount of revenue recognized and/or the timing of recognition.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or leases, which are within the scope of other IFRSs. The new standard is effective for the annual period beginning on January 1, 2018. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

## 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenue, expenses, and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates, and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

**Estimated useful life**

Management assesses fixed assets and intangible assets in line with the assets useful life. The amount and the depreciation schedule related to fixed assets and intangible assets for a given period are affected by the estimated useful lives. The estimations are reviewed at least once a year and are updated if the useful life expectations are altered by physical wear, technical and commercial obsolescence.

**Intangible assets**

The values associated with identifiable intangible assets with finite useful life are determined by applying significant estimates and assumptions.

In order to determine whether the identifiable intangible assets have suffered an impairment loss after acquisition or if an intangible asset having suffered an impairment loss may recover its carrying value, management makes assessments based on estimates including, in particular, future risk-adjusted cash flows. Cash flow projections are made according to the Company's forecasts, the economic conditions and business opportunities and therefore are inherently based on judgment.

## 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

**Fair value of stock options**

Determining the fair value of the stock options requires judgment related to the choice of a pricing model, the estimation of stock price volatility and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or other components of shareholders' equity.

**Government assistance**

The Company is entitled to government assistance in the form of research and development tax credits and grants. These are applied against related expenses and the cost of the asset acquired. Tax credits are available based on eligible research and development expenses consisting of direct and indirect expenditures and including a reasonable allocation of overhead expenses. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

**Definitions of cash generating units**

The determination of cash generating units requires judgment in determining the lowest level for which there are largely independent cash inflows generated by the asset group level. This determination could have an impact on the results of impairment testing and, as appropriate, on the impairment charge recorded in the consolidated statements of net income and comprehensive income.

**Contingent consideration receivable**

Management assess the contingent consideration receivable based on the likelihood of the potential level of achievement of the contractual conditions to be met.

**Going concern**

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The current situation indicates the existence of a material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. Further information regarding going concern is outlined in note 2.

## 8. ACCOUNTS RECEIVABLE

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Contingent consideration receivable [1] | 162,003 | 207,184 |
| Sales tax | 15,981 | 15,294 |
| Research and development tax credits [2] | 109,430 | 109,430 |
| Other receivables | 148 | - |
| Total | 287,562 | 331,908 |

## 8. ACCOUNTS RECEIVABLE (CONT.)

(1) As part of the transaction with Telus Health, the sale proceeds, according to the terms and conditions of purchase could reach the sum of $6,800,000, of which an amount of $1,300,000 was retained as contingent payments that are subject to certain performance requirements. As at August 31, 2015, the discounted balance receivable has been estimated at $162,003 ($207,184 as at May 31, 2015).

(2) The exact amount will be known when Revenu Québec will process and approve the claim. Approved amount could differ from the recorded amount.

## 9. FIXED ASSETS

| | Furniture | Computer equipment | Computer equipment for ZRx Prescriber | Leasehold improvements | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| As at June 1, 2015 | 59,486 | 87,333 | - | 46,481 | 193,300 |
| Acquisitions | - | - | - | 6,913 | 6,913 |
| As at August 31, 2015 | 59,486 | 87,333 | - | 53,394 | 200,213 |
| **Accumulated amortization** | | | | | |
| As at June 1, 2015 | 59,486 | 82,448 | - | 46,481 | 188,415 |
| Amortizations | - | 968 | - | - | 968 |
| As at August 31, 2015 | 59,486 | 83,416 | - | 46,481 | 189,383 |
| **Net book value as at August 31, 2015** | - | 3,917 | - | 6,913 | 10,830 |

| | Furniture | Computer equipment | Computer equipment for ZRx Prescriber | Leasehold improvements | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| As at June 1, 2014 | 102,340 | 161,709 | 1,485,246 | 61,586 | 1,810,881 |
| Acquisitions | - | 2,812 | - | - | 2,812 |
| Disposals | (42,854) | (77,188) | (1,485,246) | (15,105) | (1,620,393) |
| As at May 31, 2015 | 59,486 | 87,333 | - | 46,481 | 193,300 |
| **Accumulated amortization** | | | | | |
| As at June 1, 2014 | 99,975 | 151,288 | 1,473,667 | 61,586 | 1,786,516 |
| Amortizations | 989 | 5,981 | 1,579 | - | 8,549 |
| Disposals | (41,478) | (74,821) | (1,475,246) | (15,105) | (1,606,650) |
| As at May 31, 2015 | 59,486 | 82,448 | - | 46,481 | 188,415 |
| **Net book value as at May 31, 2015** | - | 4,885 | - | - | 4,885 |

## 10. INTANGIBLE ASSETS

| | Website | Software | Licenses and rights | Intellectual properties | Development costs | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| As at June 1, 2015 | - | 4,322 | 175,000 | 3,417,736 | 3,360,846 | 6,957,904 |
| Acquisitions | - | - | - | - | - | - |
| As at August 31, 2015 | - | 4,322 | 175,000 | 3,417,736 | 3,360,846 | 6,957,904 |
| **Accumulated Amortization and Depreciation** | | | | | | |
| As at June 1, 2015 | - | 4,322 | 175,000 | 2,748,549 | 2,994,414 | 5,922,285 |
| Amortizations | - | - | - | 29,095 | 91,608 | 120,703 |
| As at August 31, 2015 | - | 4,322 | 175,000 | 2,777,644 | 3,086,022 | 6,042,988 |
| **Net book value as at August 31, 2015** | - | - | - | 640,092 | 274,824 | 914,916 |

| | Website | Software | Licenses and rights | Intellectual properties | Development costs | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| As at June 1, 2014 | 26,200 | 4,322 | 175,000 | 3,417,736 | 3,328,347 | 6,951,605 |
| Acquisitions | - | - | - | - | 32,499 | 32,499 |
| Disposals | (26,200) | - | - | - | - | (26,200) |
| As at May 31, 2015 | - | 4,322 | 175,000 | 3,417,736 | 3,360,846 | 6,957,904 |
| **Accumulated Amortization and Depreciation** | | | | | | |
| As at June 1, 2014 | 26,200 | 4,322 | 175,000 | 2,854,252 | 2,997,417 | 6,057,191 |
| Amortizations | - | - | - | 56,348 | 54,323 | 110,671 |
| Disposals | (26,200) | - | - | - | - | (26,200) |
| Reversal of impairment loss (Note 11) | - | - | - | (669,187) | (366,432) | (1,035,619) |
| Impairment of assets (Note 12) | - | - | - | 507,136 | 309,106 | 816,242 |
| As at May 31, 2015 | - | 4,322 | 175,000 | 2,748,549 | 2,994,414 | 5,922,285 |
| **Net book value as at May 31, 2015** | - | - | - | 669,187 | 366,432 | 1,035,619 |

## 11. REVERSAL OF IMPAIRMENT LOSS

### Valuation method

The Company uses the present value of estimated future cash flows method to determine the value of intangible assets in use of each CGU. Since the last impairment test, which occurred on May 31, 2015, the Company has not made any change in the valuation method used to determine a potential reversal of impairment of intangible assets.

## 11. REVERSAL OF IMPAIRMENT LOSS (CONT.)

### As at May 31, 2015

*PraxisLab pharmacy management software*

The Company has demonstrated that significant market indicators, having a positive effect on the value in use and the fair value of the intangible asset PraxisLab were identified during this fiscal year and are likely to materialize in the near future. It has been demonstrated, by evidence from internal reporting, that the economic performance of the asset exceeds its net present value after a reversal of impairment. Therefore, a reversal of impairment has been recognized.

This intangible asset was depreciated during fiscal years 2014 and 2013. On May 31, 2013, the Company conducted an annual impairment test of PraxisLab and the value in use was estimated at $1,383,584. Since this value was less than its carrying value of $2,001,244, at this time, an impairment of $617,660 was recognized. As at May 31, 2014, the Company conducted a new annual impairment test of PraxisLab software, as stated in its accounting methods. The Company's management established that new circumstances led them to significantly reconsider the assumptions leading to the evaluation of the value in use of PraxisLab. The new set value being less than the carrying value of $1,106,657, an impairment for the total net value was recognized following the implementation of this impairment test.

The following table shows the net value of the asset PraxisLab following the reversal of impairment.

| | Intellectual Property | Development Cost | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| As at June 1, 2014 | 1,163,802 | 1,099,297 | 2,263,099 |
| Acquisitions | - | - | - |
| As at May 31, 2015 | 1,163,802 | 1,099,297 | 2,263,099 |
| **Accumulated Amortization and Depreciation** | | | |
| As at June 1, 2014 | 1,163,802 | 1,099,297 | 2,263,099 |
| Reversal of impairment loss | (669,187) | (366,432) | (1,035,619) |
| As at May 31, 2015 | 494,615 | 732,865 | 1,227,480 |
| **Net book value as at May 31, 2015** | 669,187 | 366,432 | 1,035,619 |

## 12. IMPAIRMENT OF ASSETS

### Valuation method

The Company uses the present value of estimated future cash flows method to determine the value in use of each CGU. Impairment tests are performed annually at the same moment, which is at the end of the fiscal year. Since the last impairment test, the Company has not made any change in the valuation method used to assess impairment of intangible assets.

## 12. IMPAIRMENT OF ASSETS (CONT.)

**As at May 31, 2015**

*ZRx Prescriber*

The Company conducted an annual impairment test following the sale of the operating rights in the Canadian market of the ZRx Prescriber intangible asset, as stated in its accounting methods. The Company's management established that new circumstances led them reconsider the assumptions leading to the evaluation of the value in use of the ZRx Prescriber.

Given the sale of the Canadian market operations to Telus Health, the Corporation must establish the estimated cash flows for the United States and United Kingdom markets.

The Company concludes that, as of May 31, 2015, the progress accomplished in the implementation of its business plan for international markets does not allow it to assess the fair value of the ZRx Prescriber with estimated future cash flows. Therefore, an impairment has been recorded. However if the evidence contained in the assumptions of estimated future cash flows are likely to occur during the next fiscal year quarters, the Company will record a reversal of impairment.

The impact on the value of the intangible asset ZRx Prescriber is as follows:

| | Intellectual Properties | Development Cost | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| As at June 1, 2014 | 2,253,934 | 2,229,050 | 4,482,984 |
| Acquisitions | - | 32,499 | 32,499 |
| As at May 31, 2015 | 2,253,934 | 2,261,549 | 4,515,483 |
| **Accumulated Amortization and Depreciation** | | | |
| As at June 1, 2014 | 1,690,450 | 1,898,120 | 3,588,571 |
| Amortization | 56,348 | 54,323 | 110,671 |
| Impairment of assets | 507,136 | 309,106 | 816,242 |
| As at May 31, 2015 | 2,253,934 | 2,261,549 | 4,515,483 |
| **Net book value as at May 31, 2015** | - | - | - |

## 13. ACCOUNTS PAYABLE

| | August 31, 2015 | May 31, 2015 |
|---|---|---|
| | $ | $ |
| Accounts payable and accrued liabilities | 174,372 | 201,174 |
| Wages and tax deductions | 215,916 | 204,483 |
| Provision for services to be provided [1] | 70,106 | 106,980 |
| Total | 460,394 | 512,637 |

[1] The provision for services to be provided is related to the obligation of the Company to allocate human resources for a period of 18 months, to support Telus Health as part of the transaction that was completed on September 2, 2014. This 18-month period will end March 2, 2016.

## 14. INFORMATION ON OPERATING EXPENSES

| | August 31, 2015 | August 31, 2014 |
|---|---|---|
| | $ | $ |
| **a)** Selling expenses : | | |
| Selling expenses | 4,474 | 1,198 |
| Salaries and benefits | 15,429 | 16,245 |
| Amortization of tangible assets | 242 | 429 |
| | 20,145 | 17,872 |
| **b)** Administrative expenses : | | |
| Administrative expenses | 118,606 | 27,616 |
| Salaries and benefits | 99,394 | 164,549 |
| Amortization of tangible assets | 242 | 475 |
| | 218,242 | 192,640 |
| **c)** General operating expenses : | | |
| Operating expenses | 250 | 884 |
| Salaries and benefits | 47,830 | 58,393 |
| Amortization of tangible assets | 242 | 429 |
| | 48,322 | 59,706 |
| **d)** Development cost : | | |
| Development cost | 10,413 | 10,771 |
| Salaries and benefits | 44,035 | 81,137 |
| Amortization of tangible assets | 242 | 429 |
| Amortization of intangible assets | 120,703 | 110,671 |
| | 175,393 | 203,008 |
| **e)** Financial expenses : | | |
| Interest and bank charges | 3,381 | 489 |
| Exchange rate variation | (726) | (1,436) |
| | 2,655 | (947) |

## 15. CONTRACTUAL COMMITMENTS

As at August 31, 2015, the balance of commitments under leaseholds and operating leases amounts to $1,192,902.

Minimum lease payments for each of the next five years are as follows:

| | 2016 | 2017 | 2018 | 2019 | 2020 | Following years |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Leasehold – Head Office | 136,735 | 114,713 | 114,713 | 114,713 | 114,713 | 544,885 |
| Multi-function printers | 10,486 | 10,486 | 10,486 | 10,486 | 10,486 | - |
| | 147,221 | 125,199 | 125,199 | 125,199 | 125,199 | 544,885 |

## 16. SHARE CAPITAL

### a) Authorized

An unlimited number of voting and participating common shares without par value.

### b) Declared

| | August 31, 2015 | May 31, 2015 |
|---|---|---|
| | $ | $ |
| 135,591,268 common shares as at August 31, 2015 and May 31, 2015 | 25,509,437 | 25,509,437 |

### c) Transaction during the three-month period ended August 31, 2015

No transaction occurred during the three-month period ended August 31, 2015.

### d) Transactions during 2015

No transaction occurred during the fiscal year ended May 31, 2015.

## 17. STOCK OPTION PLAN

The shareholders of the Company adopted a resolution approving the "rolling" stock option plan of 10% at the annual and special meeting of shareholders held November 28, 2014. Under the plan terms, the exercise price of the options will be determined by the Directors of the Company subject to other restrictions described in the plan and some requirements of the TSX Venture Exchange. The maximum period for which an option can be exercise is limited to five years and the exercise price must be paid in full before the issuance of the shares.

The following table summarizes the changes in the plan position for the three-month period ended August 31, 2015 and the fiscal year ended May 31, 2015:

| | Options | Average exercise price |
|---|---|---|
| | | $ |
| Balance as at June 1, 2014 | 8,092,500 | 0.14 |
| Awarded | 7,600,000 | 0.05 |
| Cancelled | (2,312,500) | 0.15 |
| Balance as at May 31, 2015 | 13,380,000 | 0.09 |
| Cancelled | (550,000) | 0.06 |
| Balance as at August 31, 2015 | 12,830,000 | 0.09 |

The following table summarizes the information about the outstanding stock options for the three-month period ended August 31, 2015 and the fiscal years ended May 31, 2015:

## 17. STOCK OPTION PLAN (CONT.)

### a) As at August 31, 2015

| Outstanding options | | | | Exercisable options | |
|---|---|---|---|---|---|
| Number | Weighted average remaining contractual life (months) | Weighted average exercise price | Weighted average fair value | Number | Weighted average exercise price |
| | | $ | $ | | $ |
| 1,415,000 | 4 | 0.20 | 0.12 | 1,415,000 | 0.20 |
| 1,830,000 | 15 | 0.15 | 0.05 | 1,830,000 | 0.15 |
| 2,485,000 | 23 | 0.10 | 0.04 | 2,485,000 | 0.10 |
| 7,100,000 | 53 | 0.05 | 0.01 | 7,100,000 | 0.05 |
| 12,830,000 | 36 | 0.09 | 0.03 | 12,830,000 | 0.09 |

**Transaction during the three-month period ended August 31, 2015**

No transaction occurred during the three-month period ended August 31, 2015.

### b) As at May 31, 2015

| Outstanding options | | | | Exercisable options | |
|---|---|---|---|---|---|
| Number | Weighted average remaining contractual life (months) | Weighted average exercise price | Weighted average fair value | Number | Weighted average exercise price |
| | | $ | $ | | $ |
| 1,435,000 | 7 | 0.20 | 0.12 | 1,435,000 | 0.20 |
| 1,845,000 | 18 | 0.15 | 0.05 | 1,845,000 | 0.15 |
| 2,500,000 | 26 | 0.10 | 0.04 | 2,500,000 | 0.10 |
| 7,600,000 | 56 | 0.05 | 0.01 | 7,600,000 | 0.05 |
| 13,380,000 | 40 | 0.09 | 0.03 | 13,380,000 | 0.09 |

**Transaction during fiscal year ended May 31, 2015**

In January 2015, the Company granted 7,600,000 stock options, which entitle the holders to purchase 7,600,000 common shares at an exercise price of $0.05 per share for a period of five years.

The fair value of the stock options awarded during fiscal year ended May 31, 2015 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

| Date | January 19, 2015 |
|---|---|
| Quantity | 7,600,000 |
| Stock price | $0.01 |
| Dividend yield | Nil |
| Expected volatility | 171% |
| Risk-free interest rate | 1.07% |
| Expected life | 60 months |

The stock-based compensation expense amounts to $66,880 for the fiscal year ended May 31, 2015.

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

| | August 31, 2015 | | May 31, 2015 | |
|---|---|---|---|---|
| | Fair value | Carrying value | Fair value | Carrying value |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Cash and cash equivalents | 220,727 | 220,727 | 574,273 | 574,273 |
| Loans receivables | 162,003 | 162,003 | 207,184 | 207,184 |
| **Financial liabilities** | | | | |
| Other liabilities | 64,450 | 64,450 | 84,693 | 84,693 |

The fair value of cash and cash equivalents, loans receivables and other liabilities approximates their carrying value, because of the relatively short maturity of these instruments.

The Company categorizes its financial assets and liabilities measured at fair value using a hierarchy that consists of three levels, which reflects the significance of inputs used in their evaluation. The hierarchy of the fair value consists of the following levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are supported by little or no market activities and that are significant to the fair value of assets or liabilities.

As at August 31, 2015 and May 31, 2015, the only financial instruments measured at fair value in the consolidated statements of financial position consist of cash and cash equivalents and were all classified in level 1.

## 19. RISK AND UNCERTAINTIES

The Company, through its financial instruments, is exposed to various risks without being exposed to risk concentrations. The Company is primarily exposed to credit risk, interest rate risk, market risk, liquidity risk and key personnel risk.

### a) Risks associated with financial instruments

#### Credit risk

Credit risk is the risk of financial loss for the Company, if a debtor does not meet its obligation. This risk arises mainly from the credit the Company grants its customers in the normal course of its activities.

Credit evaluations are performed continuously and the consolidated statements of financial position reflect a provision for doubtful debts. No qualitative assessment has been made, management has assessed the credit risk was not significant.

## 19. RISK AND UNCERTAINTIES (CONT.)

**Currency risk**

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. In the normal course of its operations, the Company is exposed to the risk of variations in the exchange rate of the U.S. dollar.

As at August 31, 2015, the Company has the following balances in converted U.S. dollars: cash: $263 ($59 as at May 31, 2015). No sensitivity analysis was performed due to the immateriality of the balances denominated in foreign currency.

**Interest rate risk**

The interest rate risk exists in times of fluctuating rates and when differences are expected in the cash flow matching of assets and liabilities.

The Company has no debt bearing interest at variable rates. In addition, it invests part of its liquidity in guaranteed interest rate financial instruments. These financial instruments represent a minimal risk for the Company.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly regarding its creditors, its non-convertible debenture and its short-term debt.

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund all or a part of particular product development programs. Private financing could include the incurrence of debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available. The Company manages this risk by establishing detailed cash forecasts, as well as long-term operating and strategic plans. According to these forecasts, most of its cash flows for operating activities will be generated by operating the ZRx Prescriber in the American market and the sale of PraxisLab intellectual property.

**b) Other risks**

**Market risk**

The future performance of the Company is dependent on the continued popularity of its existing products and its ability to develop and introduce products that gain acceptance and satisfy consumer preferences in targeted markets. The popularity of any of its products may decline over time as consumer preferences change or as new competing products are introduced in targeted markets. The development of new systems and their distribution within the targeted market, require significant investments.

Performances linked to the realization of contingent consideration receivable may vary depending on consumer preference changes.

**Key personnel risk**

Recruiting and retaining qualified personnel is essential to the Company’s success. The Company believe that it has been successful in recruiting excellent personnel to help meet its objectives but, as its activities grow, it is possible that additional key personnel in departments like administration, research and development, as well as marketing will be required. Although the Company believes that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

## 20. CAPITAL DISCLOSURES

In regards to capital management, the Company's objective, from the beginning of its operations, is the continuity of its operations in order to carry on with the development and marketing of the ZRx Prescriber, PraxisLab and ZoomMed's communication network, the protection of its assets, while maximizing the shareholders return on investment. The Company is not subject to any externally imposed capital requirements. The Company has several options regarding its capital needs. See Note 19 for more details.

The Company defines its capital as the sum of its shareholders equity. The shareholders equity of $972,388 as at August 31, 2015 and $1,423,241 as at May 31, 2015, includes share capital, contributed surplus and deficit. The capital decrease of $450,853 during the three-month period ended August 31, 2015 is attributable to the operating deficit.

## 21. RELATED PARTY TRANSACTIONS

### Key management compensation

Key management is those persons having authority and responsibility for planning, managing and controlling the Company's activities, including the Directors and Executives. Key management participates to the stock option plan.

For the three-month period ended August 31, 2015, the key management compensation amounted to $112,309 and $154,808 for the three-month period ended August 31, 2014.

### Related party transactions

A director of the Company is a partner in a law firm that acted as legal advisor to the Company. During the three-month period ended August 31, 2015, an amount of $21,290 ($140,851 for the three-month period ended August 31, 2014) was charged by the law firm. An amount of $24,478 is included in the accounts payable and the accrued liabilities as at August 31, 2015 ($43,968 as at May 31, 2015).

Accounts payable and accrued liabilities also include an amount of $8,320 ($5,213 as at May 31, 2015) payable to the directors, without repayment terms or interest.

### Related party transactions terms and conditions

The balances, as at the end of the period, are not guaranteed and bear no interest, as it is a cash settlement. No guaranties were given or received regarding receivables or payables between the related parties. For the three-month periods ended August 31, 2015 and 2014, the Company did not record any depreciation as regards to outstanding related party receivables. An assessment is performed at each financial period, by examining the related party financial statements and the market in which the related party operates.

These transactions were made on equivalent terms to those prevailing in the case of transactions subject to normal market conditions.

## 22. COMPARATIVE FIGURES

Some figures of the three-month period, ended August 31, 2014, have been reclassified to make their presentation identical to that of the three-month period, ended August 31, 2015. The reclassification consisted of an allocation of income and expenses related to discontinued operations in a geographical area, as detailed in note 4.