



# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED  
NOVEMBER 30, 2015



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis explains ZoomMed Inc. interim consolidated net income and comprehensive income, financial position and cash flows situation for the six-month periods ended November 30, 2015 and 2014. It must be read in conjunction with the unaudited consolidated financial statements and its accompanying notes as at November 30, 2015 and November 30, 2014. Some operating results, financial position and cash flows situation were also compared with information from fiscal year ended May 31, 2015.

Management prepared this report by taking into account all available information as at January 15, 2016. This Management's Discussion and Analysis report includes ZoomMed Inc. and its subsidiaries (the "Company") financial position.

All financial information discussed in this analysis has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in Canadian dollars.

This Management's Discussion and Analysis report may contain information and statements on the future performance of the Company, which are forward-looking in nature. These statements reflect Management's best assessment for assumptions made regarding future events. Thus, readers are hereby cautioned that actual results may differ materially.

This Management's Discussion and Analysis and the audited consolidated financial statements were submitted to the Audit Committee and approved by the Board of Directors.

## BUSINESS DESCRIPTION

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.

On November 19, 2015, the Company sold to Familiprix inc., all of the intellectual property rights of its pharmacy lab management software "PraxisLab" (Note 4).

On September 2, 2014, the Company sold the technology of its ZRx Prescriber for 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.

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.



## FINANCIAL POSITION

	November 30, 2015	May 31, 2015
Cash and cash equivalents	\$ 1,756,181	\$ 574,273
Fixed assets	\$ 44,358	\$ 4,885
Intangible assets	\$ 100,000	\$ 1,035,619
Total assets	\$ 2,547,964	\$ 1,965,887
Obligations under a finance lease contract (short and long-term)	\$ 24,251	\$ -
Shareholders' equity	\$ 1,576,447	\$ 1,423,241
Share capital	\$ 25,509,437	\$ 25,509,437

For the six-month period ended November 30, 2015, the net change in cash and cash equivalent is mainly related to the sale of all of the intellectual property rights of its pharmacy lab management software "PraxisLab" for a cash consideration of \$2,000,000, which \$1,750,000 was paid at closing. During the fiscal year ended May 31, 2015, the net change in cash and cash equivalent is related to the transaction with "Telus Health".

As at November 30, 2015 fixed assets amounted to \$44,358 compared to \$4,885 as at May 31, 2015. The increase is related to the capitalization of leasehold improvements on the premises of the new headquarters of the Company, whose improvements should be completed for the beginning of March 2016.

As at November 30, 2015, the intangible assets totaling \$100,000 consist of the acquisition cost of an American distribution right of Rx Vigilance "Quick Glance" therapeutic advisor, which became one of the key elements of ZoomMed's American business plan. As at May 31, 2015, intangible assets totaling \$1,035,619 are composed of the development costs and intellectual property rights of PraxisLab software, which was sold on November 19, 2015.

During the six-month period ended November 30, 2015, the Company entered into a finance lease contract for an IP telephone system, which will be installed in its new head office.

The Company's shareholders equity totaled \$1,576,447 as at November 30, 2015 and \$1,423,241 for the fiscal year ended May 31, 2015. The \$153,206 increase in the shareholder's' equity, during the six-month period ended November 30, 2015, is attributable to the operating net profit.

## NET INCOME AND COMPREHENSIVE INCOME SELECTED INTERIM INFORMATION

THREE-MONTH PERIOD	November 30, 2015	November 30, 2014
Revenue	\$ -	\$ -
Selling expenses	\$ 26,727	\$ 35,219
Administrative expenses	\$ 251,410	\$ 226,853
General operating expenses	\$ 49,115	\$ 41,864
Development costs	\$ 52,011	\$ 65,911
Financial expenses	\$ 2,849	\$ 19,624
Impairment of intangible assets	\$ -	\$ 816,242
Net loss from continuing operations	\$ (382,112)	\$ (1,205,713)
Net profit from discontinued operations	\$ 986,172	\$ 5,739,353
Net result and comprehensive income	\$ 604,060	\$ 4,533,640
Basic and diluted net result per share from continuing operations	\$ (0.003)	\$ (0.009)
Weighted average number of outstanding common shares	135,591,268	135,591,268



SIX-MONTH PERIOD	November 30, 2015	November 30, 2014
Revenue	\$ -	\$ -
Selling expenses	\$ 46,872	\$ 53,080
Administrative expenses	\$ 454,652	\$ 420,514
General operating expenses	\$ 97,187	\$ 100,676
Development cost	\$ 106,701	\$ 187,117
Financial expenses	\$ 5,504	\$ 18,677
Impairment of intangible assets	\$ -	\$ 816,242
Net loss from continuing operations	\$ (710,916)	\$ (1,596,306)
Net profit from discontinued operations	\$ 864,122	\$ 5,331,869
Net result and comprehensive income	\$ 153,206	\$ 3,735,563
Basic and diluted net result per share from continuing operations	\$ (0.005)	\$ (0.012)
Weighted average number of outstanding common shares	135,591,268	135,591,268

The Company separately presents continuing operations from discontinued operations. This table reflects operating costs related to continuing operations, that is to say, the commercialization in the US market and the United Kingdom. Activities related to the Canadian market and the pharmacy lab management software operations (discontinued operations) are detailed in Note 4 to the financial statements and this note is reproduced in this document in the section reserved for this purpose.

General operation expenses from continuing operations remained stable throughout the six-month periods ended November 30, 2015 and 2014. Following the sale of the operating rights of the ZRx Prescriber intangible asset in the Canadian market during the six-month period ended November 30, 2014, the Company performed an impairment test and the total net value was written off.

For the six-month period ended November 30, 2015, discontinued operations generated a net income of \$864,122 resulting from the sale of all of the intellectual property rights of PraxisLab. For the six-month period ended November 30, 2014, discontinued operations have generated a profit of \$5,331,869 as a result of the sale of its ZRx Prescriber technology in the Canadian market to "Telus Health" and 50% of the intellectual property rights worldwide, except in Canada, the United States and the United Kingdom.

The Company recorded a net operating benefit of \$153,206, a net result per share of \$0.001, for the six-month period ended November 30, 2015 and a net operating benefit of \$3,735,563, a net result per share of \$0.028, for the six-month period ended November 30, 2014.

For the six-month period, ended November 30, 2015, the basic and diluted net result per share from continuing operations is (\$0.005) and for the six-month period, ended November 30, 2014, the basic and diluted net result per share from continuing operations is (\$0.012).

#### STATEMENTS OF CASH FLOWS

THREE-MONTH PERIOD	November 30, 2015	November 30, 2014
Cash flows from (used in) operating activities	\$ (254,239)	\$ (3,197,303)
Cash flows used in financing activities	\$ 24,251	\$ (1,834,173)
Cash flows used in investment activities	\$ 1,765,442	\$ 5,344,758
Net change in cash and cash equivalents	\$ 1,535,454	\$ 313,282
Cash and cash equivalents, end of year	\$ 1,756,181	\$ 317,296

SIX-MONTH PERIOD	November 30, 2015	November 30, 2014
Cash flows from (used in) operating activities	\$ (600,872)	\$ (3,012,766)
Cash flows used in financing activities	\$ 24,251	\$ (2,142,693)
Cash flows used in investment activities	\$ 1,758,529	\$ 5,312,834
Net change in cash and cash equivalents	\$ 1,181,908	\$ 157,375
Cash and cash equivalents, end of year	\$ 1,756,181	\$ 317,296



Cash flows from operating activities amounted to (\$600,872) for the six-month period ended November 30, 2015, (\$3,012,766) for the six-month period ended November 30, 2014 and are attributable to the reclassification of a \$1,089,696 gain on disposal of intangible assets related to the “Familiprix” transaction as at November 30, 2015 and a \$5,990,591 gain on disposal of intangible assets related to the “Telus Health” transaction as at November 30, 2014.

For the three-month and six-month periods ended November 30, 2015, cash flows used in financing activities totaling \$24,251 consist of a finance lease contract for an IP telephone system, which will be installed in its new head office. For the six-month period ended November 30, 2014, cash flows used in financing activities totaling (\$2,142,693) are entirely classified as discontinued operations and represent the repayment of the non-convertible debenture in the amount of \$1,834,173 and the repayment of a financing by Investissement Québec in the amount of \$308,520.

For the six-month period ended November 30, 2015, cash flows used in investing activities totaling \$1,758,529 represent the proceeds from the sale of PraxisLab software, the acquisition of a distribution license of a therapeutic advisor and the capitalization of leasehold improvements. For the six-month period ended November 30, 2014, cash flows used in investing activities totaling \$5,312,834 are related the proceeds from the sale of the Canadian market operations to “Telus Health” and to the capitalization of development costs.

The net change in cash and cash equivalents from these three types of activities amounted to \$1,181,908 for the six-month period ended November 30, 2015 and \$157,375 for the six-month period ended November 30, 2014.

## LIQUIDITY

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund part or all of particular product development programs. 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 flows 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.

## OFF-BALANCE SHEET ARRANGEMENTS

There was no off balance sheet arrangements or arrangements likely to have an impact on our operating results or our financial situation.

## OUTSTANDING SHARES, WARRANTS AND STOCK OPTIONS AS AT JANUARY 15, 2016

Common shares	135,591,268
Stock options in accordance with the stock option plan	11,415,000

## CONTINUOUS DISCLOSURE AND SUPPLEMENTARY INFORMATION

The Company files its consolidated financial statements, its management’s discussion and analysis, its press releases and other required filing documents on SEDAR’s database at [www.sedar.com](http://www.sedar.com).

***The next section of this report corresponds to a duplication of certain notes from the financial report consistent with the same period.***



**NOTE 4  
DISCONTINUED OPERATIONS**

**Business Line**

On November 19, 2015, the Company sold to Familiprix inc., all of the intellectual property rights of its pharmacy lab management software "PraxisLab".

**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.

Net income from discontinued operations in a geographical region is presented in the consolidated statements of net income and comprehensive income according to the table below. The reclassification consisted of an allocation of income and expenses related to discontinued operations.

	November 30, 2015 (3 months) (unaudited)	November 30, 2014 (3 months) (unaudited)	November 30, 2015 (6 months) (unaudited)	November 30, 2014 (6 months) (unaudited)
	\$	\$	\$	\$
<b>REVENUE</b>	-	-	-	341,860
<b>OPERATING EXPENSES</b>				
Selling expenses	-	49,510	-	255,852
Administrative expenses	12,669	117,237	27,670	228,727
General operating expenses	150	44,642	400	137,898
Development cost	104,609	48,471	225,312	278,936
Financial expenses	(13,904)	(8,622)	(27,808)	99,169
	103,524	251,238	225,574	1,000,582
<b>RESULT BEFORE TAXES</b>	(103,524)	(251,238)	(225,574)	(658,722)
Taxes	-	-	-	-
	(103,524)	(251,238)	(225,574)	(658,722)
Gain on disposal of intangible assets	1,089,696	5,990,591	1,089,696	5,990,591
<b>NET PROFIT FROM DISCONTINUED OPERATIONS</b>	986,172	5,739,353	864,122	5,331,869

**NOTE 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 \$23,977 for the period, which will end August 31, 2017.

	Total
	\$
Loss as at September 2, 2014	33,354
Use	(3,345)
<b>Balance as at May 31, 2015</b>	<b>30,009</b>
Use	(6,032)
<b>Balance as at November 30, 2015</b>	<b>23,977</b>



**NOTE 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.

**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.



## **NOTE 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.

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, 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.

**NOTE 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.

**As at November 30, 2015**

*PraxisLab pharmacy management software*

On November 19, 2015, the Company sold to Familiprix inc., all of the intellectual property rights of its pharmacy lab management software "PraxisLab". The total net value of development costs and intellectual property was written off.

**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
	\$	\$	\$
<b>Cost</b>			
As at June 1, 2014	1,163,802	1,099,297	2,263,099
Acquisitions	-	-	-
<b>As at May 31, 2015</b>	<b>1,163,802</b>	<b>1,099,297</b>	<b>2,263,099</b>
<b>Accumulated Amortization and Depreciation</b>			
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)
<b>As at May 31, 2015</b>	<b>494,615</b>	<b>732,865</b>	<b>1,227,480</b>
<b>Net book value as at May 31, 2015</b>	<b>669,187</b>	<b>366,432</b>	<b>1,035,619</b>



**NOTE 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.

**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
	\$	\$	\$
<b>Cost</b>			
As at June 1, 2014	2,253,934	2,229,050	4,482,984
Acquisitions	-	32,499	32,499
<b>As at May 31, 2015</b>	<b>2,253,934</b>	<b>2,261,549</b>	<b>4,515,483</b>
<b>Accumulated Amortization and Depreciation</b>			
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
<b>As at May 31, 2015</b>	<b>2,253,934</b>	<b>2,261,549</b>	<b>4,515,483</b>
<b>Net book value as at May 31, 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE 14  
OBLIGATIONS UNDER A FINANCE LEASE CONTRACT**

The Company entered into a finance lease contract for the installation and use of an IP telephone system. The contract expires July 15, 2020 and the residual value is \$1.



	Total
	\$
Initial amount	25,998
Payment during the year	(1,747)
Balance as at November 30, 2015.	24,251

Current portion obligations under a finance lease contract	4,536
Long-term portion obligations under a finance lease contract	19,715
	24,251

Minimum finance lease payments for upcoming years are as follows:

	Minimum finance lease payments		Present value of minimum finance lease payments	
	November 30, 2015	May 31, 2015	November 30, 2015	May 31, 2015
	\$	\$	\$	\$
2016	4,536	-	4,707	-
2017	4,873	-	4,958	-
2018	5,236	-	5,222	-
2019	5,625	-	5,500	-
2020	3,982	-	3,828	-

#### **NOTE 18 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 exercised 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 six-month period ended November 30, 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 November 30, 2015	12,830,000	0.09

#### **Transaction during the six-month period ended November 30, 2015**

No transaction occurred during the six-month period ended November 30, 2015.



**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.

The following table summarizes the information about the outstanding stock options as at November 30, 2015 and as at May 31, 2015:

**a) As at November 30, 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	1	0.20	0.12	1,415,000	0.20
1,830,000	12	0.15	0.05	1,830,000	0.15
2,485,000	22	0.10	0.04	2,485,000	0.10
7,100,000	50	0.05	0.01	7,100,000	0.05
12,830,000	33	0.09	0.03	12,830,000	0.09

**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



**NOTE 19  
FAIR VALUE OF FINANCIAL INSTRUMENTS**

	<b>November 30, 2015</b>		<b>May 31, 2015</b>	
	Fair value	Carrying value	Fair value	Carrying value
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	1,756,181	1,756,181	574,273	574,273
Loans receivables	179,993	179,993	207,184	207,184
<b>Financial liabilities</b>				
Obligations under a finance lease contract	24,251	24,251	-	-
Other liabilities	311,506	311,506	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 November 30, 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.

**NOTE 20  
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.

**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 November 30, 2015, the Company has the following balances in converted U.S. dollars: cash: \$448 (\$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.

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.

### **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.

## **NOTE 22 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 six-month period ended November 30, 2015, the key management compensation amounted to \$232,311 and \$287,501 for the six-month period ended November 30, 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 six-month period ended November 30, 2015, an amount of \$86,438 (\$202,916 for the six-month period ended November 30, 2014) was charged by the law firm. An amount of \$66,158 is included in the accounts payable and the accrued liabilities as at November 30, 2015 (\$43,968 as at May 31, 2015).

Accounts payable and accrued liabilities also include an amount of \$13,677 as at November 30, 2015 (\$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 six-month periods ended November 30, 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.

### **NOTE 23 COMPARATIVE FIGURES**

Some figures of the six-month period, ended November 30, 2014, have been reclassified to make their presentation identical to that of the six-month period, ended November 30, 2015. The reclassification consisted of an allocation of income and expenses related to discontinued operations, as detailed in note 4.