



CONSOLIDATED FINANCIAL REPORT

FOR THE YEARS ENDED
MAY 31, 2017 AND 2016



MANAGEMENT'S REPORT

The audited consolidated financial statements of ZoomMed Inc. for the fiscal year ended May 31, 2017 and all information contained in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The audited consolidated financial statements were prepared by Management in accordance with Canadian generally accepted accounting principles, including the International Financial Reporting Standards "IFRS". The audited consolidated financial statements are 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 directors nor employees. The Audit Committee meets periodically with Management and the independent 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, receives the independent auditors' report and recommends their approval by the Board of Directors.

The consolidated financial statements have been audited by Mazars Harel Drouin, LLP, Chartered Accountants, whose report follows.

December 21, 2017

(Signed) Yves Marmet

Yves Marmet,
President and Chief Executive Officer



**CONSOLIDATED FINANCIAL REPORT
AS AT MAY 31, 2017 AND MAY 31, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ZOOMMED INC.

We have audited the accompanying consolidated financial statements of **ZOOMMED INC.**, which comprise the consolidated statements of financial position as at May 31, 2017, and May 31, 2016, the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

MAZARS HAREL DROUIN, LLP

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **ZOOMMED INC.** as at May 31, 2017, and May 31, 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Observations

Without qualifying our opinion, we draw attention to Note 2 of the consolidated financial statements, which indicates that the Company must market its technology outside of Canada with a financial partner and to enter into service agreements with partners in Canada during the next year, in order to continue its activities. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

*Mazars Harel Grouix, LLP*¹

Montréal, December 21, 2017

1. CPA auditor, CA, public accountancy permit No. A108185



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2017 AND MAY 31, 2016

	2017	2016
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	121,665	323,396
Receivables (Note 8)	57,762	303,035
Leasehold improvement allowance receivable (Note 9)	7,360	7,360
Prepaid expenses	4,166	20,803
	190,953	654,594
Non-current assets		
Contingent consideration receivable (Note 8)	-	87,984
Leasehold improvement allowance receivable (Note 9)	22,081	29,441
Fixed assets (Note 10)	155,365	235,611
Intangible assets (Note 11)	-	100,000
Total assets	368,399	1,107,630
LIABILITIES		
Current liabilities		
Payables (Note 13)	1,079,511	309,390
Due to Directors (without interest or repayment terms)	158,057	7,312
Loan from a Director (Note 25)	108,141	-
Short-term debt (Note 14)	439,495	-
Current portion of long-term debt (Note 15)	68,000	51,000
Current portion of obligations under a finance lease contract (Note 16)	5,051	4,701
	1,858,255	372,403
Non-current liabilities		
Provision for loss-making contracts (Note 5)	721	16,225
Long-term debt (Note 15)	51,000	119,000
Obligations under a finance lease contract (Note 16)	12,272	17,323
Lease inducement	71,166	89,730
Total liabilities	1,993,414	614,681
SHAREHOLDERS' EQUITY		
Share capital (Note 19)	25,509,437	25,509,437
Contributed surplus	6,655,185	6,655,185
Deficit	(33,789,637)	(31,671,673)
Total equity	(1,625,015)	492,949
Total liabilities and equity	368,399	1,107,630

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



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

	Share capital	Contributed surplus	Deficit	Total
	\$	\$	\$	\$
Balance as at May 31, 2016	25,509,437	6,655,185	(31,671,673)	492,949
Net result	-	-	(2,117,964)	(2,117,964)
Balance as at May 31, 2017	25,509,437	6,655,185	(33,789,637)	(1,625,015)

	Share capital	Contributed surplus	Deficit	Total
	\$	\$	\$	\$
Balance as at May 31, 2015	25,509,437	6,635,055	(30,721,252)	1,423,240
Net result	-	-	(950,421)	(950,421)
Fair value of stock options granted (Note 20)	-	20,130	-	20,130
Balance as at May 31, 2016	25,509,437	6,655,185	(31,671,673)	492,949



**CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

	2017	2016
	\$	\$
CONTINUING OPERATIONS		
REVENUE	-	-
OPERATING EXPENSES (Note 17)		
Selling expenses	349,372	136,927
Administrative expenses	890,146	1,096,088
General operating expenses	213,628	199,822
Development cost	306,589	210,619
Financial expenses	114,937	15,123
Impairment of fixed assets and intangible assets (Note 12)	129,556	-
	2,004,228	1,658,579
LOSS BEFORE INCOME TAXES	(2,004,228)	(1,658,579)
Income taxes recovery from continuing operations loss (Note 23)	-	(242,976)
Net loss from continuing operations	(2,004,228)	(1,415,603)
Net profit (loss) from discontinued operations (Note 4)	(113,736)	465,182
NET RESULT AND COMPREHENSIVE INCOME	(2,117,964)	(950,421)
Basic and diluted net result per share from continuing operations	(0.015)	(0.010)
Basic and diluted net and comprehensive result per share	(0.016)	(0.007)
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	135,591,268	135,591,268



**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

	2017	2016
OPERATING ACTIVITIES	\$	\$
Consolidated net and comprehensive income	(2,117,964)	(950,421)
Net result from discontinued operations	(113,736)	465,182
Net result from continuing operations	(2,004,228)	(1,415,603)
Amortization of fixed assets	51,120	16,457
Amortization of financing costs	22,636	-
Stock-based compensation	-	20,130
Loss on disposal of fixed assets	-	252
Impairment of fixed assets and intangible assets	129,556	-
Lease inducement	-	69,947
Amortization – Lease inducement	(18,564)	(17,018)
Net result from discontinued operations	(113,736)	465,182
Amortization	-	225,313
Gain on disposal of fixed assets	-	(1,001,440)
Write-off of contingent consideration receivable	119,583	-
Financial income	(6,559)	-
Provision from loss-making contracts	(15,504)	(13,784)
	(1,835,736)	(1,650,564)
Net change in non-cash operating working capital items (Note 26)	1,165,136	(139,904)
Cash flows used in operating activities	(670,600)	(1,790,468)
FINANCING ACTIVITIES		
Continuing operations		
Long-term debt	-	170,000
Loan from a Director	100,000	-
Short-term debt, net of financing costs	425,000	-
Repayment of obligations under a finance lease contract	(4,701)	(3,974)
Repayment of long-term debt	(51,000)	-
Cash flows from financing activities	469,299	166,026
INVESTING ACTIVITIES		
Continuing operations		
Acquisition of fixed assets	(430)	(221,436)
Acquisition of intangible assets	-	(55,000)
Discontinued operations		
Proceeds from disposal of intangible assets	-	1,750,000
Transaction fees	-	(99,999)
Cash flows from (used in) investing activities	(430)	1,373,565
NET CHANGE IN CASH AND CASH EQUIVALENTS	(201,731)	(250,877)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	323,396	574,273
CASH AND CASH EQUIVALENTS, END OF YEAR	121,665	323,396

Cash flows used in operating activities includes interest paid of \$22,336 for the fiscal year ended May 31, 2017 and \$3,445 for the fiscal year ended May 31, 2016.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

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. It was designed with the guidance of a committee of physicians. Their requirements called for a speedy and intuitive e-Prescribing application that would facilitate their day-to-day functions, helping them in making the appropriate decisions and choices and protecting them against potential errors and distractions. Accordingly, the ZRx Prescriber was designed with essential PREDICTIVE and PRE-EMPTIVE features that far outweigh what the market had to offer until then. The ZRx Prescriber software behaves similarly to like the latest software such as Google Search or Apple IOS auto-completing keyboard. Unlike static e-Prescribers, the ZRx cloud-based Prescriber solution dynamically analyzes each user's prescribing pattern and displays the expected medication. Furthermore, the pre-emptive features of the ZRx Prescriber, such as drug interactions and potential allergies, are automatically displayed to the physician without him having to solicit and activate an external review module. Most importantly for the very active physician, it allows him to write legible and secure prescriptions and deal with renewals in a few seconds, in fact faster than with a pen.

The ZRx Prescriber is Surescripts® certified and has been tested and certified under the ONC HIT Certification Program (Office of the National Coordinator for Health Information Technology). It is currently in the process of certification for Electronic Prescriptions for Controlled Substances (EPCS).

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

Given that the Company has already invested significant 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 listed on the TSX Venture Exchange under ZMD symbol.

The Company's registered head office is located at 8005 Du Quartier Blvd., Suite 303, Brossard, Quebec, Canada, J4Y 0N5.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

These consolidated financial statements have been approved by the Board of Directors on December 21, 2017.

These 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. However, certain facts and circumstances raise doubts as to this assumption. The Company incurred major losses in recent years, has accumulated an important deficit and its current liquidities may be insufficient to meet its obligations. During the fiscal year, the cash flow shortfall was covered by a loan from a private company, a loan from a Director and the delay in the payment of salaries. After year-end, the Company obtained a loan from a private investor (Note 27) to help meet its obligations.

The continuity of the Company's business depends on its abilities to market, its technology outside of Canada, with a financial partner and to enter into service agreements with partners in Canada. It is not possible to predict, at this point, whether these elements will materialize.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

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

The 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.

Revenue recognition

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.

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:

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 in this category, accounts receivable, contingent consideration receivable and Leasehold improvement allowance receivable. 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 in this category, accounts payable, loan from a Director, short-term debt and long-term debt.

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.

Discontinued operations

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.

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
IP Telephone system	Straight-line	5 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 intellectual properties, licenses and rights, development costs and software with finite useful life. 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
Software	2 years
Intellectual properties	10 years
Licenses and rights	3 years
Development costs	3 years



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Research and development expenses

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.

A distribution license of Rx Vigilance for the US market was recorded at cost and was never amortized. As at May 31, 2017, the Company performed an impairment test and an impairment for the full value of the license was registered (Note 12).

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 life 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 assess 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.

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.

Leases under which the Company retains substantially all the risks and rewards of ownership are classified as finance lease contracts. Contracts finance leases are capitalized at the inception of the lease for an amount equal to the fair value of the leased property or, if it is lower, at the present value of payments minimum under the lease. Assets acquired under a finance lease agreement are amortized over the useful life of the asset or over the term of the lease if it is shorter.

Lease inducements

Lease inducements received are recorded at cost and amortized on a straight line basis over the term of the lease (69 months) expiring on March 31, 2021. Depreciation is recognized as a reduction of rent expense.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

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.

4. DISCONTINUED OPERATIONS

Business Line

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

Net income from discontinued operations 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

4. DISCONTINUED OPERATIONS (CONT.)

	2017	2016
	\$	\$
REVENUE	-	-
OPERATING EXPENSES		
Selling expenses	752	755
Administrative expenses	-	27,669
General operating expenses	-	500
Financial revenues	(6,599)	(42,448)
Write-off of contingent consideration receivable	119,583	-
Amortization of development cost	-	225,313
	113,736	211,789
RESULT FROM DISCONTINUED OPERATIONS BEFORE TAXES	(113,736)	(211,789)
Income tax payable (tax recovery) from ordinary operation	-	(12,574)
RESULT FROM DISCONTINUED OPERATIONS AFTER TAXES	(113,736)	(199,215)
Gain on disposal of intangible assets ⁽¹⁾	-	919,947
Taxes payable on disposal of intangible assets	-	(255,550)
NET GAIN ON DISPOSAL OF INTANGIBLE ASSETS	-	664,397
NET PROFIT (NET LOSS) FROM DISCONTINUED OPERATIONS	(113,736)	465,182

⁽¹⁾ Net of legal fees in the amount of \$99,999 as at May 31, 2016.

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 resulted in sublease losses under the lease in Markham and the second resulted in losses under a lease of a multifunction printer. These contracts generated a shortfall of \$721 for the period, ending August 31, 2017.

	Total
	\$
Balance as at May 31, 2015	30,009
Use	(13,784)
Balance as at May 31, 2016	16,225
Use	(15,504)
Balance as at May 31, 2017	721

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016**

6. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Financial Instruments

The final version of IFRS 9, issued by the IASB in July 2014, replaces IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives* as well as the versions of IFRS 9 issued by the IASB in November 2013, October 2010 and November 2009. The final standard largely retains the classification and measurement requirements and new hedge accounting model included in earlier versions, while introducing a single forward-looking expected credit loss impairment model. The main features introduced in the final version of this new standard are as follows:

- Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is to both collect contractual cash flows and sell financial assets, and the contractual cash flows are solely payments of principal and interest.
- All gains and losses on financial assets measured at fair value through other comprehensive income are recognized in profit or loss when the financial asset is impaired, reclassified to fair value through profit or loss, or derecognized.
- An expected credit loss impairment model is applicable to financial instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes 12-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses if credit risk has increased significantly since initial recognition.
- IFRS 9 also includes new general hedge accounting requirements, which will result in aligning hedge accounting more closely with risk management. These new requirements do not significantly change the types of hedging relationships or the requirement to measure hedge ineffectiveness. However, they will provide a broader range of hedging strategies for risk management purposes that qualify for hedge accounting, and further require the use of judgment in measuring the effectiveness of a hedging relationship. Specific transitional provisions have been developed to apply the new general hedge accounting requirements.

The Company will have to classify financial assets as subsequently measured either at amortized cost or fair value, on the basis of the Company's business model for managing the financial assets and contractual cash flows of the financial asset. Measurement at amortized cost for most financial liabilities is maintained; however, when an entity measures a financial liability at fair value, the portion of 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 also resulted in consequential amendments to IFRS 7 *Financial Instruments: Disclosures* to include disclosures about an entity's risk management strategy and the effect of hedge accounting on the financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and the standard should be applied retrospectively, subject to certain exceptions. Restatement of prior periods is not required and is only permitted if it is possible without the use of hindsight. The Company is currently analyzing the potential effects of adopting this standard on its consolidated financial statements.

IAS 7 – Statement of Cash Flows

IAS 7 Statement of Cash Flows has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. 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.



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

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 considers that the possible effects of the adoption of this standard will not have a significant impact on its consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, which will replace IAS 17, "Leases." IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position with exemptions permitted for leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and the liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements, largely retains the approach to lessor accounting in IAS 17, and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption is permitted in certain circumstances. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration – This new interpretation, issued by the IASB in December 2016, provides guidance on the issue of the "date of the transaction" for the purpose of determining the exchange rate at the time of the transaction, to apply to transactions that are within the scope of IAS 21, Effects of Changes in Foreign Exchange Rates, which involve the receipt or payment of an advance consideration in a foreign currency. The main elements of the interpretation are:

- The entity uses the exchange rate on the date that the foreign currency advance consideration is paid or received to convert the asset, expense or related income on initial recognition.
- When the consideration paid or received in advance consists of multiple payments, the entity determines the date of the transaction for each of them.

The interpretation applies for annual reporting periods beginning on or after January 1, 2018. The Company is currently analyzing the potential effects of adopting this interpretation on its consolidated statements.

IFRIC 23 – Uncertainty over income tax treatments – This new interpretation, issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company is currently analyzing the potential effects of adopting this interpretation 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.



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7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

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 life. 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.

Fixed assets and intangible assets

The values assigned to the fixed assets and identifiable intangible assets with finite useful life are based on significant estimates and assumptions.

In order to determine whether the fixed assets or identifiable intangible assets have suffered an impairment loss after acquisition or if a fixed asset or 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, 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.



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7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

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. As at May 31, 2017, the Company has written off the majority of the balance of the contingent consideration receivable related to the contract with Familiprix.

Going concern

The assessment of the Company's ability to commercialize its technology 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 the going concern issue is outlined in note 2.

8. RECEIVABLES

	2017	2016
	\$	\$
Contingent consideration receivable ⁽¹⁾	15,000	50,000
Sales tax	42,053	19,582
Research and development tax credits	-	144,643
Loan to a related company (Note 25)	-	100,000
Provision for impairment - Loan to a related company (Note 25)	-	(100,000)
Loan to an employee, without interest maturing in November 2016	-	50,000
Other receivables	709	38,810
Total	57,762	303,035

⁽¹⁾ Represents a balance of \$15,000 (before taxes) receivable in connection with the transaction with Familiprix Inc. As at May 31, 2016, a balance of \$137,984 was receivable (\$50,000 short-term and \$87,984 long-term). During the fiscal year, \$119,583 was written off because sales by Familiprix are well below expectations.

9. LEASEHOLD IMPROVEMENT ALLOWANCE RECEIVABLE

According to the lease of the premises, the landlord allocated an improvement allowance of \$25 per ft², repayable over a five-year period in the amount of \$8,582 per year. The first payment was reimbursed on December 31, 2016. If the Company exercises its option to renew the lease, the lessor will allocate an additional improvement allowance in the same amount for the five-year renewal term. As at May 31, 2017, the Company did not record the improvement allowance for the renewal option.



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9. LEASEHOLD IMPROVEMENT ALLOWANCE RECEIVABLE (CONT.)

	Total
	\$
Reimbursement to be received	42,913
Discount factor	(6,112)
Discounted amount of the reimbursement to be received as at May 31, 2016	36,801
Cash receipt	(8,582)
Unwinding of discount	1,222
Balance as at May 31, 2017	29,441
Current portion	7,360
Long-term portion	22,081
	29,441

10. FIXED ASSETS

	Furniture	Computer equipment	IP telephone system obligations under a finance lease contract *	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
As at June 1, 2016	55,115	54,122	25,998	197,348	332,583
Acquisitions	-	430	-	-	430
As at May 31, 2017	55,115	54,552	25,998	197,348	333,013
Accumulated amortization and impairment					
As at June 1, 2016	37,561	48,406	1,300	9,705	96,972
Amortizations	3,691	2,759	5,200	39,470	51,120
Impairment	-	-	2,175	27,381	29,556
As at May 31, 2017	41,252	51,165	8,675	76,556	177,648
Net book value as at May 31, 2017	13,863	3,387	17,323	120,792	155,365



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. FIXED ASSETS (CONT.)

	Furniture	Computer equipment	IP telephone system obligations under a finance lease contract *	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
As at June 1, 2015	59,486	87,333	-	46,481	193,300
Acquisitions	18,457	5,631	25,998	197,348	247,434
Disposals	(22,828)	(38,842)	-	(46,481)	(108,151)
As at May 31, 2016	55,115	54,122	25,998	197,348	332,583
Accumulated amortization					
As at June 1, 2015	59,486	82,448	-	46,481	188,415
Amortizations	904	4,548	1,300	9,705	16,457
Disposals	(22,829)	(38,590)	-	(46,481)	(107,900)
As at May 31, 2016	37,561	48,406	1,300	9,705	96,972
Net book value as at May 31, 2016	17,554	5,716	24,698	187,643	235,611

* During the fiscal year ended May 31, 2016, the Company acquired fixed assets worth \$25,998 under a finance lease contract.

11. INTANGIBLE ASSETS

	Software	Licenses and rights	Intellectual property	Development costs	Total
	\$	\$	\$	\$	\$
Cost					
As at June 1, 2016	4,322	100,000	2,253,934	2,261,549	4,619,805
Acquisitions	-	-	-	-	-
As at May 31, 2017	4,322	100,000	2,253,934	2,261,549	4,619,805
Accumulated amortization and impairment					
As at June 1, 2016	4,322	-	2,253,934	2,261,549	4,519,805
Impairment of assets (Note 12)	-	100,000	-	-	100,000
As at May 31, 2017	4,322	100,000	2,253,934	2,261,549	4,619,805
Net book value as at May 31, 2017	-	-	-	-	-



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. INTANGIBLE ASSETS (CONT.)

	Software	Licenses and rights	Intellectual property	Development costs	Total
	\$	\$	\$	\$	\$
Cost					
As at June 1, 2015	4,322	175,000	3,417,736	3,360,846	6,957,904
Acquisitions	-	100,000	-	-	100,000
Disposals	-	-	(1,163,802)	(1,099,297)	(2,263,099)
Write-off	-	(175,000)	-	-	(175,000)
As at May 31, 2016	4,322	100,000	2,253,934	2,261,549	4,619,805
Accumulated amortization and impairment					
As at June 1, 2015	4,322	175,000	2,748,549	2,994,414	5,922,285
Amortizations	-	-	54,311	171,002	225,313
Disposals	-	-	(548,926)	(903,867)	(1,452,793)
Write-off	-	(175,000)	-	-	(175,000)
As at May 31, 2016	4,322	-	2,253,934	2,261,549	4,519,805
Net book value as at May 31, 2016	-	100,000	-	-	100,000

12. IMPAIRMENT OF FIXED ASSETS AND INTANGIBLE ASSETS

Valuation method

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

As at May 31, 2017

Leasehold improvements and telephone system

The Company has estimated that, as at May 31, 2017, the delay in the progress of the business plan for the US market did not allow to conclude that the company would be able to recover the carrying amounts of its fixed assets. Impairment was recorded to reduce the book value of its telephone system to the recoverable amount equivalent to the balance of the obligation under a finance lease and the carrying amount of its leasehold improvements to the value in use.

The impact on the value of these two assets is as follows:



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12. IMPAIRMENT OF FIXED ASSETS AND INTANGIBLE ASSETS (CONT.)

	Telephone system \$	Leasehold improvements \$
Cost		
As at June 1, 2016	25,998	197,348
Acquisitions	-	-
As at May 31, 2017	25,998	197,348
Accumulated amortization and impairment		
As at June 1, 2016	1,300	9,705
Amortizations	5,200	39,470
Impairment	2,175	27,381
As at May 31, 2017	8,675	76,556
Net book value as at May 31, 2017	17,323	120,792

Rx Vigilance License

The delay in the progress of the business plan for the US market and the lack of financial resources available to realize its plan as at May 31, 2017 led management to conclude that the carrying value of Rx Vigilance license may not be recoverable. An impairment loss was recorded.

The impact on the value of the intangible asset Rx Vigilance is as follows:

	Licenses and rights \$
Cost	
As at June 1, 2016	100,000
Acquisitions	-
As at May 31, 2017	100,000
Accumulated amortization and impairment	
As at June 1, 2016	-
Impairment of assets	100,000
As at May 31, 2017	100,000
Net book value as at May 31, 2017	-

As at May 31, 2016

The Company conducted an impairment test on its intangible assets and the Company's management concluded that the book value reflects the fair value.



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13. PAYABLES

	2017	2016
	\$	\$
Accounts payable and accrued liabilities	358,496	179,615
Wages and tax deductions	721,015	129,775
Total	1,079,511	309,390

14. SHORT-TERM DEBT

On March 13, 2017, the Company entered into a \$500,000 financing agreement with Persistence Capital II. Financing costs of \$75,000 have been disbursed and are amortized over the term of the loan.

The loan bears interest at an annual rate of 12%. Interest is payable monthly. The loan is secured by a conventional hypothec without dispossession in the principal amount of \$500,000 and an additional hypothec of \$220,000 for a total of \$720,000, against the universality of ZoomMed's present and future movable assets, tangible and intangible, of whatever nature and wherever they may be located. The loan is repayable on March 31, 2018.

	Total
	\$
Loan amount	500,000
Financing costs	(75,000)
Amortization of financing cost	14,495
Carrying amount as at May 31, 2017	439,495

15. LONG-TERM DEBT

On July 14, 2015, the Company obtained a loan to finance leasehold improvements with Investissement Québec for a total amount of \$170,000.

The loan bears interest at prime plus 2.5%. The interest is payable monthly. The loan is secured by a conventional without dispossession in the hypothec of principal amount of \$204,000 and an additional hypothec of \$40,800 for a total of \$244,800, against the universality of ZoomMed's present and future movable assets, fixed and intangible, of whatever nature and wherever they may be located.

The loan disbursement was made on February 25, 2016 in a single payment of \$170,000 and the capital is repayable in 30 equal monthly installments of \$5,667 (capital only) maturing February on 28, 2019.

	Total
	\$
Initial amount	170,000
Payments during the fiscal year	-
Balance as at May 31, 2016	170,000
Payments during the fiscal year	(51,000)
Balance as at May 31, 2017	119,000
Current portion	68,000
Long-term portion	51,000



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. LONG-TERM DEBT (CONT.)

Payments to be made in the coming years are as follows:

	\$
2018	68,000
2019	51,000

16. 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 September 15, 2020 and the residual value is \$1. The contract is repayable in monthly principal and interest payments of \$511.

	Total \$
Initial amount	25,998
Payment during the fiscal year	(3,974)
Balance as at May 31, 2016	22,024
Payments during the fiscal year	(4,701)
Balance as at May 31, 2017	17,323
Current portion obligations under a finance lease contract	5,051
Long-term portion obligations under a finance lease contract	12,272
	17,323

Minimum finance lease payments for upcoming years are as follows:

	Minimum finance lease payments	
	2017	2016
	\$	\$
2017	-	6,134
2018	6,134	6,134
2019	6,134	6,134
2020	6,134	6,134
2021	1,023	1,021
Interest included in the minimum payments	(2,102)	(3,533)
Discounted value of minimum payments under the finance lease	17,323	22,024



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17. INFORMATION ON OPERATING EXPENSES

	2017	2016
	\$	\$
a) Selling expenses :		
Selling expenses	102,019	25,869
Salaries and benefits	234,573	106,943
Amortization of fixed assets	12,780	4,115
	349,372	136,927
b) Administrative expenses :		
Administrative expenses	371,595	602,742
Salaries and benefits	505,771	469,101
Stock-based compensation	-	20,130
Amortization of fixed assets	12,780	4,115
	890,146	1,096,088
c) General operating expenses :		
Salaries and benefits	200,848	195,707
Amortization of fixed assets	12,780	4,115
	213,628	199,822
d) Development cost :		
Development cost	55,240	43,498
Salaries and benefits	238,569	189,270
Credits for research and development	-	(26,263)
Amortization of fixed assets	12,780	4,114
	306,589	210,619
e) Financial expenses :		
Interest and bank charges	82,609	11,557
Interest on long-term debt	7,945	2,308
Interests on finance lease contracts	1,432	1,137
Amortization of financing costs	22,636	-
Exchange rate variation	315	121
	114,937	15,123
f) Impairment of fixed assets and intangible assets:		
Telephone system	2,175	-
Leasehold improvements	27,381	-
License Rx Vigilance	100,000	-
	129,556	-



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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18. CONTRACTUAL COMMITMENTS

During the fiscal year ended May 31, 2016, the Company signed a lease agreement for a five-year period with a renewal option for an additional period of five years under the same terms and conditions. As collateral, the Company has granted the lessor a second ranking movable hypothec in the amount of \$114,713, plus an additional hypothec of 20% of that amount on the universality of movable property, present and future of ZoomMed Inc.

As at May 31, 2017, the balance of commitments under leaseholds and operating leases amounts to \$451,905.

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

	2018	2019	2020	2021
	\$	\$	\$	\$
Leasehold – Head Office	108,998	108,998	108,998	90,831
Multi-function printers	10,486	10,486	10,486	2,622
	<u>119,484</u>	<u>119,484</u>	<u>119,484</u>	<u>93,453</u>

19. SHARE CAPITAL

a) Authorized

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

b) Declared

	2017	2016
	\$	\$
135,591,268 common shares as at May 31, 2017 and May 31, 2016	<u>25,509,437</u>	<u>25,509,437</u>

c) Transaction during fiscal year ended May 31, 2017

No transaction occurred during the fiscal year ended May 31, 2017.

d) Transactions during fiscal year ended May 31, 2016

No transaction occurred during the fiscal year ended May 31, 2016.

20. 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 29, 2016. 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 fiscal year ended May 31, 2017 and the fiscal year ended May 31, 2016:



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20. STOCK OPTION PLAN (CONT.)

	Options	Average exercise price
		\$
Balance as at June 1, 2015	13,380,000	0.09
Awarded	1,100,000	0.21
Expired	(1,965,000)	0.16
Balance as at May 31, 2016	12,515,000	0.09
Expired	(1,830,000)	0.15
Balance as at May 31, 2017	10,685,000	0.08

Transaction during fiscal year ended May 31, 2017

No transaction occurred during the fiscal year ended May 31, 2017.

Transaction during fiscal year ended May 31, 2016

In January 2016, the Company granted 1,100,000 stock options, which entitle the holders to purchase 1,100,000 common shares at an exercise price of \$0.21 per share for a period of five years. These stock options are vested at issuance.

The fair value of the stock options awarded during the fiscal year ended May 31, 2016 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

Date	January 21, 2016
Quantity	1,100,000
Stock price	\$0.02
Dividend yield	Nil
Expected volatility	196%
Risk-free interest rate	0,71%
Expected life	60 months

The stock-based compensation expense amounts to \$20,130 for the fiscal year ended May 31, 2016.

The following table shows the status of the plan position for the fiscal years ended May 31, 2017 and May 31, 2016:



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20. STOCK OPTION PLAN (CONT.)

a) As at May 31, 2017

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		\$	\$		\$
2,485,000	2	0.10	0.04	2,485,000	0.10
7,100,000	32	0.05	0.01	7,100,000	0.05
1,100,000	44	0.21	0.02	1,100,000	0.21
10,685,000	26	0.08	0.02	10,685,000	0.08

b) As at May 31, 2016

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		\$	\$		\$
1,830,000	6	0.15	0.05	1,830,000	0.15
2,485,000	14	0.10	0.04	2,485,000	0.10
7,100,000	44	0.05	0.01	7,100,000	0.05
1,100,000	56	0.21	0.02	1,100,000	0.21
12,515,000	34	0.09	0.02	12,515,000	0.09

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

	May 31, 2017		May 31, 2016	
	Fair value	Carrying value	Fair value	Carrying value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	121,665	121,665	323,396	323,396
Loans receivables	15,000	15,000	137,984	137,984
Leasehold improvement allowance receivable	29,441	29,441	36,801	36,801
Financial liabilities				
Short-term debt	439,495	439,495	-	-
Loan from a Director	108,141	108,141	-	-
Long-term debt	108,504	119,000	170,000	170,000
Other liabilities	265,407	265,407	98,903	98,903

The fair value of cash and cash equivalents, loans receivables, short-term loans, loan from a Director and other liabilities approximates their carrying value, because of the relatively short maturity of these instruments.



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21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

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 May 31, 2017, financial instruments classified in level 1 are cash and cash equivalents, whereas level 2 financial instruments are loans and receivables, leasehold improvement allowance receivable, accounts payable, loan from a Director, short-term loan and long-term debt. As at May 31, 2016, level 1 financial instruments are cash and cash equivalents, while level 2 financial instruments are loans and receivables, accounts payable and long-term debt.

22. 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 May 31, 2017, the Company has the following balances in converted U.S. dollars: cash: \$1,617 (\$421 as at May 31, 2016). 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 is exposed to interest rate risk on financial instruments bearing fixed interest rates and variable interest rates. Financial instruments with fixed interest rates expose the Company to a fair value risk and financial instruments at variable interest rates expose the Company to liquidity risk. In addition, it invests part of its liquidity in guaranteed interest rate financial instruments. These financial instruments represent a minimal risk for the Company.



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22. RISK AND UNCERTAINTIES (CONT.)

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 with a financial partner and entering into service agreements with partners in Canada.

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 believes that it has been successful in recruiting excellent personnel to help meet its objectives but the Company will have to retain this staff. Although the Company believes that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

23. INCOME TAXES

The provision for income taxes differs from tax amount computed using the statutory tax rate for the following reasons:

	2017	2016
	\$	\$
Income taxes at the effective rate of 26.90%	(534,978)	(446,157)
Tax effects of non-deductible expenses	8,791	9,732
Tax benefit resulting from unrecognized operating losses	483,392	142,324
Origination and reversal of unrecognized temporary differences	42,795	51,125
Total	-	(242,976)



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23. INCOME TAXES (CONT.)

Deferred income taxes are as follows:

	2017	2016
	\$	\$
Deferred income tax assets		
Losses carried forwards	5,451,710	5,029,678
Deferred financing fees	25,047	11,957
Long-term lease inducements	11,099	14,238
Excess of amortization for accounting purposes over capital cost allowance	915,828	918,262
Capitalized development costs	1,061,475	1,043,361
	<u>7,465,159</u>	<u>7,017,496</u>
Less: Valuation allowance	7,465,159	7,017,496
Deferred income tax assets recognized	<u>-</u>	<u>-</u>

Furthermore the Company has unused tax credits totalling \$1,134,911 (\$829,620 net of taxes) as at May 31, 2017 and as at May 31, 2016.

Tax losses carried forward as at May 31, 2017, amount to \$20,728,113 at the Federal level, \$20,193,903 at the Provincial level.

Tax losses will expire as follows:

Year	Federal	Provincial Quebec
	\$	\$
2027	171,607	167,803
2028	663,750	362,956
2029	4,634,592	4,549,931
2030	3,695,314	3,662,997
2031	3,044,565	3,019,425
2032	2,755,300	2,732,955
2033	736,834	736,835
2034	1,631,080	1,604,442
2035	1,060,171	1,048,134
2036	547,187	520,712
2037	1,787,713	1,787,713
	<u>20,728,113</u>	<u>20,193,903</u>

24. 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 its products, 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 defines its capital as the sum of its shareholders equity. The shareholders equity of (\$1,625,015) as at May 31, 2017 and \$492,949 as at May 31, 2016, includes share capital, contributed surplus and deficit. The capital decrease of \$2,117,964 during the fiscal year ended May 31, 2017 is due to the deficit of the period.



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25. 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 fiscal year ended May 31, 2017, the key management compensation amounted to \$427,338 and \$415,391 for the fiscal year ended May 31, 2016. As at May 31, 2017, \$158,057 was payable to key management personnel.

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 fiscal year ended May 31, 2017, an amount of \$1,381 (\$94,966 for the fiscal year ended May 31, 2016) was charged by the law firm. An amount of \$9,191 is included in the accounts payable and the accrued liabilities as at May 31, 2017 (\$7,603 as at May 31, 2016).

In September 2016, a Company Director made a \$100,000 loan to the Company. A set-up fee of \$ 15,000 is also payable to this Director in connection with this loan. The total amount of \$115,000 is due December 31, 2017. Financial expenses for the fiscal year include an amount \$8,141 related to this loan.

The Company's president is also president of the American company "MediSyna Corporation Inc.", which operates in the healthcare sector. During the fiscal year, the Company loaned \$100,000 to MediSyna Corporation Inc. for its start-up costs. The amount was included in the accounts receivable as at May 31, 2016, was non-interest bearing and was repayable by November 30, 2016. This loan was fully provisioned as of May 31, 2016 and was written off during fiscal year 2017.

Related party transactions terms and conditions

The balances at the end of the period are unsecured and bear no interest, since it is a cash settlement. No guarantees were given or received regarding receivables or payables between the related parties. For the fiscal year ended May 31, 2017, the Company did not record any provision in respect of receivables due from related parties. 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.

26. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2017	2016
	\$	\$
Receivables	220,273	102,632
Prepaid expenses	16,637	(1,601)
Leasehold improvement allowance receivable	7,360	-
Payables	770,121	(240,935)
Due to directors	150,745	-
Total	1,165,136	(139,904)



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27. SUBSEQUENT EVENT AFTER CLOSING DATE

Financing

On November 2, 2017, the Company has entered into a \$500,000 financing with a private investor dealing at arm's length with ZoomMed. The loan is paid to the Company in installments based on certain events: \$100,000 as an initial deposit, \$250,000 upon execution of the loan agreement and reception of related documents, \$75,000 upon issuance of a press release confirming the filing date of the annual financial statements and \$75,000 following the end of the cease trade on the Company shares. As at December 21, 2017, the Company had received \$425,000.

The loan bears interest at a rate of 12% per annum payable on a quarterly basis. The loan is secured by a movable hypothec in the principal amount of \$600,000 against the universality of its present and future ZoomMed's movable assets, tangible and intangible, of whatever nature and wherever they may be located. The loan will be repayable under certain conditions on November 2, 2018.