INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED
NOVEMBER 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis explains ZoomMed Inc.'s interim consolidated net income and comprehensive income, financial position and cash flow situation for the six-month periods ended November 30, 2017 and 2016. It must be read in conjunction with the unaudited consolidated financial statements and its accompanying notes as at November 30, 2017 and November 30, 2016. Some operating results, financial positions and cash flow situation were also compared with information from the fiscal year ended May 31, 2017.

Management prepared this report by taking into account all available information as at January 25, 2018. 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 future performance, 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. 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 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.

FINANCIAL POSITION
SELECTED QUARTERLY INFORMATION

	November 30, 2017		May 31, 2017	
Cash and cash equivalents	27,849	$	121,665	$
Leasehold improvement allowance receivable (short and long-term)	29,441	$	29,441	$
Fixed assets	130,222	$	155,365	$
Total assets	204,795	$	368,399	$
Short-term debts	994,824	$	547,636	$
Debt (short and long-term)	113,333	$	119,000	$
Obligations under a finance lease contract (short and long-term)	14,843	$	17,323	$
Lease inducement	61,883	$	71,166	$
Shareholders' equity	(2,030,998)	$	(1,625,015)	$
Share capital	25,509,437	$	25,509,437	$

For the six-month period ended November 30, 2017 and for fiscal year ended May 31, 2017, the net change in cash and cash equivalent is related to operating activities.

Upon signature of the lease for the Headquarters' premises, the landlord allocated an improvement allowance of $25 per ft^2, repayable over a five-year period in the amount of $8,582 per year (present value of $7,360). 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. The Company did not record the allowance for the renewal option. As at November 30, 2017 and May 31, 2017, the present value of the improvement allowance receivable was estimated at $29,441.

As at November 30, 2017, fixed assets amounted to $130,222 compared to $155,365 as at May 31, 2017. The decrease during the six-month period ended November 30, 2017 is primarily due to the amortization during the period.

During the fiscal year ended May 31, 2016, the Company entered into a finance lease contract for an IP telephone system. As at November 30, 2017, the $14,843 balance includes the short and long-term portions. As at May 31, 2017, the balance was $17,323.

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 November 30, 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 ZoomMed's present and future movable assets, tangible and intangible, of whatever nature and wherever they may be located. The loan is repayable under certain conditions on November 2, 2018.

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 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 non-possessory hypothec 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, fixed and intangible, of whatever nature and wherever they may be located. The loan is repayable on March 31, 2018.

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 period include an amount $2,970 related to this loan.

On July 14, 2015, the Company entered into 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 non-possessory 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 February 25, 2016 in a single payment of $170,000 and the capital is payable in 30 equal monthly installments of $5,667 (capital only) maturing February 28, 2019. On July 3, the Company obtained a 6-month moratorium on capital payments. This moratorium began in August 2017 and postponed the maturing of this loan to November 30, 2019.

The Shareholders equity of the Company amounts to ($2,030,998) as at November 30, 2017 and ($1,625,015) as at May 31, 2017. The capital decrease of $405,983 during the six-month period ended November 30, 2017 is attributable to the operating deficit.

NET INCOME AND COMPREHENSIVE INCOME
SELECTED QUARTERLY INFORMATION

	November 30, 2017 (3 months)		November 30, 2016 (3 months)		November 30, 2017 (6 months)		November 30, 2016 (6 months)	
Revenue	-	$	-	$	10,000	$	-	$
Selling expenses	5,093	$	103,427	$	10,634	$	184,082	$
Administrative expenses	140,651	$	280,417	$	277,255	$	496,324	$
General operating expenses	3,143	$	52,612	$	7,790	$	102,958	$
Development cost	7,659	$	62,865	$	17,725	$	136,487	$
Financial expenses	40,210	$	4,295	$	95,303	$	8,016	$
Net loss from continuing operations	(196,756)	$	(503,616)	$	(398,507)	$	(927,867)	$
Net profit (net loss) from discontinued operations (Note 4)	-	$	1,635	$	(7,476)	$	3,240	$
Net result and comprehensive income	(196,756)	$	(501,981)	$	(405,983)	$	(924,627)	$
Basic and diluted net result per share	(0.001)	$	(0.003)	$	(0.003)	$	(0.006)	$
Weighted average number of outstanding common shares	135,591,268		135,591,268		135,591,268		135,591,268	

As at November 30, 2017, revenue amounts to $10,000 and represents consulting fees.

The Company records separately its continuing operations from its discontinued operations. The amounts presented in the table of net income and comprehensive income are primarily related to the continuing operations of the Company, which are the marketing expenses associated to the US market. Activities related to the Canadian market and operation of the pharmacy laboratory management software (discontinued operations) are detailed in Note 4 of the financial statements. This note is reproduced herein in the section reserved for this purpose.

For the six-month period, ended November 30, 2017, financial expenses amounted to $95,303 compared to $8,016 for the six-month period ended November 30, 2016. The increase in financial expenses during the six-month period ended November 30, 2017 is attributable to the financing fees related to a short-term loan contracted on November 2, 2017, interest paid on short-term debts and long-term debt, as well as the finance lease contract.

Overall, the net result and comprehensive income of the Company generated a loss of $405,983 for the six-month period ended November 30, 2017, compared to $924,627 for the six-month period ended November 30, 2016.

For the six-month period ended November 30, 2017, the basic and diluted net result per share is $(0.003) compare to $(0.006) for the six-month period ended November 30, 2016.

STATEMENTS OF CASH FLOWS
SELECTED QUARTERLY INFORMATION

	November 30, 2017 (3 months)		November 30, 2016 (3 months)		November 30, 2017 (6 months)		November 30, 2016 (6 months)	
Cash flows used in operating activities	(387,491)	$	(53,981)	$	(489,419)	$	(271,441)	$
Cash flows from financing activities	402,499	$	(18,164)	$	395,603	$	(19,308)	$
Cash flows from investment activities	-	$	(5,430)	$	-	$	(15,430)	$
Net change in cash and cash equivalents	15,008	$	(77,575)	$	(93,816)	$	(306,179)	$
Cash and cash equivalents, end of period	27,849	$	17,217	$	27,849	$	17,217	$

Cash flows from operating activities are as follows:

- For the six-month period ended November 30, 2017, cash flows from operating activities of $(489,419) are mainly attributable to the operating expenses financed by delays on salaries and creditors.
- For the six-month period ended November 30, 2016, cash flows from operating activities were ($271,441) and are attributable to operating activities.

Cash flows from financing activities are as follows:

- For the six-month period ended November 30, 2017, cash flow use for financing activities of $395 603 are related to a short-term financing of $403,750, a repayment of long-term debt of $5,667 and a repayment on an obligation under a finance lease contract for $1,251.
- For the six-month period ended November 30, 2016, cash flow use for financing activities of ($18,164) were related to a debt repayment to Investissement Québec for $17,000 and the reimbursement of the obligation under a finance lease contract for $1,164.

Cash flows from investment activities are as follows:

- For the six-month period ended November 30, 2017, there was no cash flow use for investment activities.
- For the six-month period ended November 30, 2016, cash flow use for investment activities of ($15,430) were related to the acquisition of fixed and intangible assets.

The net change in cash and cash equivalents from these three types of activities amounted to $(93,816) for the six-month period ended November 30, 2017 and $(306,179) for the six-month period ended November 30, 2016.

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 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 26) to help meet its obligations. 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 come from the income generated by the ZRx Prescriber in the US market.

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARES, WARRANTS AND STOCK OPTIONS AS AT JANUARY 25, 2018

Common shares	135,591,268
Stock options in accordance with the stock option plan	8,200,000

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.

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

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.

	November 30, 2017 (3 months)	November 30, 2016 (3 months)	November 30, 2017 (6 months)	November 30, 2016 (6 months)
	$	$	$	$
REVENUE	-	-	-	-
OPERATING EXPENSES				
Administrative expenses	-	-	(7,476)	-
Financial revenues	-	(1,635)	-	(3,240)
	-	(1,635)	(7,476)	(3,240)
RESULT FROM DISCONTINUED OPERATIONS BEFORE TAXES	-	1,635	(7,476)	3,240
INCOME TAXES	-	-	-	-
NET PROFIT (NET LOSS) FROM DISCONTINUED OPERATIONS	-	1,635	(7,476)	3,240

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.

	Total
	$
Balance as at May 31, 2016	16,225
Use	(15,504)
	721

Balance as at May 31, 2017	
Use	(721)
Balance as at November 30, 2017	-

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.

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.

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.

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.

14. SHORT-TERM DEBT

a) 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 November 30, 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 ZoomMed's present and future movable assets, tangible and intangible, of whatever nature and wherever they may be located. The loan is repayable under certain conditions on November 2, 2018.

	Total
	$
Loan amount	425,000
Financing costs	(21,250)
Amortization of financing cost	-
Carrying amount as at November 30, 2017	403,750

b) 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
Amortization of financing cost	37,498
Carrying amount as at May 31, 2017	476,993

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 in the 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. On July 3, the Company obtained a 6-month moratorium on capital payments. This moratorium began in August 2017 and postponed the maturing of this loan to August 31, 2019.

	Total
	$
Balance as at May 31, 2016	170,000
Payments during the period	(51,000)
Balance as at May 31, 2017	119,000
Payments during the period	(5,667)
Balance as at November 30, 2017	113,333
Current portion	62,333
Long-term portion	51,000

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

	$
2018	62,333
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
	$
Balance as at May 31, 2016	22,024
Payment during the period	(4,701)
Balance as at May 31, 2017	17,323
Payment during the period	(2,480)
Balance as at November 30, 2017	14,843
Current portion obligations under a finance lease contract	5,236

Long-term portion obligations under a finance lease contract	9,607
	14,843

Minimum finance lease payments for the upcoming twelve-month period are as follows:

	Minimum finance lease payments November 30, 2017	May 31, 2017
	$	$
2018	6,134	6,134
2019	6,134	6,134
2020	4,090	6,134
2021	-	1,023
Interest included in the minimum payments	(1,515)	(2,102)
Discounted value of minimum payments under the finance lease	14,843	17,323

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 exercise is limited to five years and the exercise price must be paid in full before the issuance of the shares.

The following table summarizes the changes in the plan position for the six-month period ended November 30, 2017 and the fiscal year ended May 31, 2017:

	Options	Average exercise price
		$
Balance as at June 1, 2016	12,515,000	0.09
Expired	(1,830,000)	0.15
Balance as at May 31, 2017	10,685,000	0.08
Expired	(2,485,000)	0.10
Balance as at November 30, 2017	8,200,000	0.07

Transaction during the six-month period ended November 30, 2017

No transaction occurred during the six-month period ended November 30, 2017.

Transactions during fiscal year ended May 31, 2017

No transaction occurred during the fiscal year 2017.

The following table shows the status of the plan as at November 30, 2017 and May 31, 2017.

a) As at November 30, 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
		$	$		$
7,100,000	26	0.05	0.01	7,100,000	0.05
1,100,000	38	0.21	0.02	1,100,000	0.21
8,200,000	28	0.07	0.01	8,200,000	0.07

b) 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

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

	November 30, 2017		May 31, 2017	
	Fair value	Carrying value	Fair value	Carrying value
	$	$	$	$
Financial assets				
Cash and cash equivalents	27,849	27,849	121,665	121,665
Loans receivables	7,500	7,500	15,000	15,000
Financial liabilities				
Short-term debt	880,743	880,743	439,495	439,495
Loan from a Director	114,081	114,081	108,141	108,141
Long-term debt	113,333	113,333	119,000	119,000
Other liabilities	288,566	288,566	329,077	329,077

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

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, 2017 and May 31, 2017, the only 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.

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 November 30, 2017, the Company has the following balances in converted U.S. dollars: cash: $154 ($1,617 as at May 31, 2017). 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.

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.

24. RELATED PARTY

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, 2017 the key management compensation amounted to $122,503 and $215,388 for the six-month period ended November 30, 2016. As at November 30, 2017, $62,061 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 six-month period ended November 30, 2017, an amount of $12,826 ($1,381 for the six-month period ended November 30, 2016) was charged by the law firm. An amount of $23,938 is included in the accounts payable and the accrued liabilities as at November 30, 2017 ($9,191 as at May 31, 2017).

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 six-month period ending November 30, 2017 include an amount $5,940 related to this loan.

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 six-months periods ended November 30, 2017 and 2016, the Company did not record any impairment 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.