



# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED  
AUGUST 31, 2017



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis explains ZoomMed Inc. consolidated net income and comprehensive income, financial position and cash flows situation for the three-month periods ended August 31, 2017 and 2016. It must be read in conjunction with the audited consolidated financial statements and its accompanying notes as at August 31, 2017 and August 31, 2016. Furthermore, some operating results, financial position and cash flows situation are also compared with information from the three-month period ended August 31, 2017.

Management prepared this analysis by taking into account all available information as at December 21, 2017. This analysis reflects the financial position of ZoomMed Inc. and its subsidiaries (the "Company").

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

This Management's Discussion and Analysis report may contain information and statements on the future performance of the Company, which are forward-looking in nature. These statements are made based on assumptions and uncertainties as well as on the best possible evaluation of future events by management. Thus, readers are hereby advised that actual results may differ from expected results.

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 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.



**FINANCIAL POSITION  
SELECTED QUARTERLY INFORMATION**

	August 31, 2017	May 31, 2017
Cash and cash equivalents	\$ 12,841	\$ 121,665
Leasehold improvement allowance receivable (short and long-term)	\$ 29,441	\$ 29,441
Fixed assets	\$ 142,794	\$ 155,365
Total assets	\$ 234,279	\$ 385,455
Short-term debts	\$ 569,355	\$ 547,636
Debts (short and long-term)	\$ 113,333	\$ 119,000
Obligations under a finance lease contract (short and long-term)	\$ 16,094	\$ 17,323
Lease inducement	\$ 66,525	\$ 71,166
Shareholders' equity	\$ (1,834,242)	\$ (1,625,016)
Share capital	\$ 25,509,437	\$ 25,509,437

For the three-month period ended August 31, 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<sup>2</sup>, 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 August 31, 2017 and May 31, 2017, the present value of the improvement allowance receivable was estimated at \$29,441.

As at August 31, 2017, fixed assets amounted to \$142,794 compared to \$155,365 as at May 31, 2017. The decrease during the three-month period ended August 31, 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 August 31, 2017, the \$16,094 balance includes the short and long-term portions. As at August 31, 2016, the balance was \$17,323.

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 of principal amount of \$500,000 and an additional hypothec of \$220,000 for a total of \$720,000 against the universality of its present and future ZoomMed's 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 \$8,141 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 its present and future ZoomMed's 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 deadline to August 31, 2019.

The Shareholders equity of the Company amounts to (\$1,834,242) as at August 31, 2017 and (\$1,625,015) as at May 31, 2017. The capital decrease of \$209,227 during the three-month period ended August 31, 2017 is attributable to the operating deficit.



**NET INCOME AND COMPREHENSIVE INCOME  
SELECTED QUARTERLY INFORMATION**

	August 31, 2017	August 31, 2016
Revenue	\$ 10,000	\$ -
Selling expenses	\$ 5,541	\$ 80,655
Administrative expenses	136,603	215,906
General operating expenses	4,647	50,346
Development cost	9,866	73,622
Financial expenses	55,093	3,722
Net loss from continuing operations	\$ (201,750)	\$ (424,251)
Net profit (net loss) from discontinued operations (Note 4)	(7,477)	1,605
Net result and comprehensive income	\$ (209,277)	\$ (422,646)
Basic and diluted net result per share	\$ (0.001)	\$ (0.003)
Weighted average number of outstanding common shares	135,591,268	135,591,268

As at August 31, 2017, revenue amounts to \$10,000 and represents consulting fees.

The Company records distinctively 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 three-month period, ended August 31, 2017, financial expenses amounted to \$55,093 compared to \$3,722 for the three-month period ended August 31, 2016. The increase in financial expenses during the three-month period ended August 31, 2017 is attributable to financing costs, 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 generates a loss of \$209,227 for the three-month period ended August 31, 2017, compared to \$422,646 for the three-month period ended August 31, 2016.

As at August 31, 2017, the basic and diluted net result per share is \$(0.001), \$(0.003) for the three-month period ended August 31, 2016.

**STATEMENTS OF CASH FLOWS  
SELECTED QUARTERLY INFORMATION**

	August 31, 2017	August 31, 2016
Cash flows used in operating activities	\$ (101,928)	\$ (227,460)
Cash flows used in financing activities	(6,896)	(1,144)
Cash flows used investment activities	-	-
Net change in cash and cash equivalents	\$ (108,824)	\$ (228,604)
Cash and cash equivalents, end of year	\$ 12,841	\$ 94,792

Cash flow from operating activities was (\$101,928) for the three-month period ended August 31, 2017 and (\$227,460) for the three-month period ended August 31, 2016. The decrease is attributable to non-cash working capital items.

For the three-month period ended August 31, 2017, cash flows from financing activities totaled (\$6,896) and represented a repayment of the obligation under a finance lease contract and a repayment on long-term debt. For the three-month period ended August 31, 2016, cash flows from financing activities totaled (\$1,144) and represented a repayment of the obligation under a finance lease contract.

For the three-month periods ended August 31, 2017 and 2016, there was no investing activity.



The net change in cash and cash equivalents from these three types of activities amounted to (\$108,824) for the three-month period ended August 31, 2017 and (\$228,604) for the three-month period ended August 31, 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 is no off-balance sheet arrangement that has or is likely to have an impact on our operating results or our financial situation.

## OUTSTANDING SHARES, WARRANTS AND STOCK OPTIONS AS AT DECEMBER 21, 2017

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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](http://www.sedar.com).

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

## NOTE 4 DISCONTINUED OPERATIONS

### Business Line

On November 19, 2015, the Company sold to Familiprix inc., all of the intellectual property rights of its pharmacy 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.



	August 31, 2017 (3 months) (unaudited)	August 31, 2016 (3 months) (unaudited)
	\$	\$
<b>REVENUE</b>	-	-
<b>OPERATING EXPENSES</b>		
Administrative expenses	7,477	-
Financial revenues	-	(1,605)
	7,477	(1,605)
<b>RESULT FROM DISCONTINUED OPERATIONS BEFORE TAXES</b>	(7,477)	1,605
Income tax payable	-	-
<b>NET PROFIT (NET LOSS) FROM DISCONTINUED OPERATIONS</b>	(7,477)	1,605

**NOTE 5  
PROVISION FOR LOSS-MAKING CONTRACTS**

Provision for loss-making contracts is related to two contracts from discontinued Canadian operations in Toronto. The first contract is related losses from sublease under the lease of Markham and a second lease of a multifunction printer.

	Total
	\$
Balance as at May 31, 2016	16,225
Use	(15,504)
<b>Balance as at May 31, 2017</b>	<b>721</b>
Use	(721)
<b>Balance as at August 31, 2017</b>	<b>-</b>

**NOTE 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.

## **NOTE 7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

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

### **Estimated useful life**

Management assesses fixed assets and intangible assets in line with the assets useful life. The amount and the depreciation schedule related to fixed assets and intangible assets for a given period are affected by the estimated useful 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.

### **NOTE 12 DEPRECIATION 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:



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

#### *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 ZRx Prescriber is as follows:

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

#### **NOTE 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	33,244
Carrying amount as at May 31, 2017	458,244

**NOTE 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. On July 3, the Company obtained a 6-month moratorium on capital payments. This moratorium began in August 2017 and postponed the deadline 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 August 31, 2017	113,333
Current portion	45,333
Long-term portion	68,000

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

	\$
2018	45,333
2019	68,000

**NOTE 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)
<b>Balance as at May 31, 2017</b>	<b>17,323</b>
Payment during the period	(1,229)
<b>Balance as at August 31, 2017</b>	<b>16,094</b>
Current portion obligations under a finance lease contract	5,143
Long-term portion obligations under a finance lease contract	10,951
	<b>16,094</b>

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

	Minimum finance lease payments	
	August 31, 2017	May 31, 2017
	\$	\$
2018	6,134	6,134
2019	6,134	6,134
2020	5,623	6,134
2021	-	1,023
Interest included in the minimum payments	(1,797)	(2,102)
Discounted value of minimum payments under the finance lease	16,094	17,323

**NOTE 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 three-month period ended August 31, 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
<b>Balance as at May 31, 2017</b>	<b>10,685,000</b>	<b>0.08</b>
Expired	(2,485,000)	0.10
<b>Balance as at August 31, 2017</b>	<b>8,200,000</b>	<b>0.07</b>



**Transaction during the three-month period ended August 31, 2017**

No transaction occurred during the three-month period ended August 31, 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 position for the fiscal years ended August 31, 2017 and May 31, 2017.

**a) As at August 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
		\$	\$		\$
7,100,000	29	0.05	0.01	7,100,000	0.05
1,100,000	41	0.21	0.02	1,100,000	0.21
8,200,000	31	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

**NOTE 21  
FAIR VALUE OF FINANCIAL INSTRUMENTS**

	August 31, 2017		May 31, 2017	
	Fair value	Carrying value	Fair value	Carrying value
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	12,841	12,841	121,665	121,665
Loans receivables	5,000	5,000	2,500	2,500
<b>Financial liabilities</b>				
Obligations under a finance lease contract	16,094	16,094	17,323	17,323
Short-term debt	486,302	486,302	480,053	483,053
Loan from a Director	111,111	111,111	108,141	108,141
Long-term debt	113,333	113,333	119,000	119,000
Other liabilities	327,328	327,328	329,077	329,077



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.

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

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

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

As at August 31, 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.

## **NOTE 22 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**

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 August 31, 2017, the Company has the following balances in converted U.S. dollars: cash: \$176 (\$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.

## **NOTE 24 RELATED PARTY TRANSACTIONS**

### **Key management compensation**

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

For the three-month period ended August 31, 2017 the key management compensation amounted to \$61,925 and \$107,694 for the three-month period ended August 31, 2016. As at August 31, 2017, \$125,043 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 three-month period ended August 31, 2017, an amount of \$1,520 (\$938 for the three-month period ended August 31, 2016) was charged by the law firm. An amount of \$10,940 is included in the accounts payable and the accrued liabilities as at August 31, 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 three-month period ending August 31, 2017 include an amount \$2,970 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 guaranties were given or received regarding receivables or payables between the related parties. For the three-months periods ended August 31, 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.

**NOTE 26**  
**SUBSEQUENT EVENTS 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.