



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED
MAY 31, 2017 AND 2016



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 fiscal years ended May 31, 2017 and May 31, 2016. It must be read in conjunction with the audited consolidated financial statements and its accompanying notes as at May 31, 2017 and May 31, 2016. Furthermore, some operating results, financial position and cash flows situation are also compared with information from the fiscal year ended May 31, 2015.

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".

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 ANNUAL INFORMATION**

	May 31, 2017	May 31, 2016	May 31, 2015
Cash and cash equivalents	\$ 121,665	\$ 323,396	\$ 574,273
Leasehold improvement allowance receivable (short and long-term)	\$ 29,441	\$ 36,801	\$ -
Fixed assets	\$ 155,365	\$ 235,611	\$ 4,885
Intangible assets	\$ -	\$ 100,000	\$ 1,035,619
Total assets	\$ 368,399	\$ 1,107,630	\$ 1,965,887
Short-term debts	\$ 547,636	\$ -	\$ -
Debt (short and long-term)	\$ 119,000	\$ 170,000	\$ -
Obligations under a finance lease contract (short and long-term)	\$ 17,323	\$ 22,024	\$ -
Lease inducement	\$ 71,166	\$ 89,730	\$ -
Shareholders' equity	\$ (1,625,015)	\$ 492,949	\$ 1,423,241
Share capital	\$ 25,509,437	\$ 25,509,437	\$ 25,509,437

For the fiscal year ended May 31, 2017, the net change in cash and cash equivalent is related to operating activities. For the fiscal year ended May 31, 2016, the net change in cash and cash equivalent is related to operating activities and the sale of all of the intellectual property rights of its pharmacy laboratory management software PraxisLab for the sum of \$2,000,000 including a balance of \$250,000 as receivables in accordance with certain terms of the contract. During the fiscal year ended May 31, 2015, the net change in cash and cash equivalent is related to the transaction with Telus Health.

Upon signature of the lease for the Headquarters' 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 (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. As at May 31, 2016, the Company did not record the allowance for the renewal option. As at May 31, 2017, the present value of the improvement allowance receivable was estimated at \$29,441 (\$36,801 as at May 31, 2016).

As at May 31, 2017, fixed assets amounted to \$155,365 compared to \$235,611 as at May 31, 2016 and \$4,885 as at May 31, 2015. The decrease during the fiscal year ended May 31, 2017 is primarily due to the cumulated amortization and impairment for the year, while the increase recorded during the fiscal year ended May 31, 2016 is related to the capitalization of leasehold improvements, as well as the acquisition of furniture and an IP telephone system.

Intangible assets for the 2015 to 2017 financial years are as follows:

- As at May 31, 2017, the Company performed an impairment test of the Rx Vigilance license and assessed that the advancement of its business plan for the US market made it impossible to determine, with estimated future cash flows, if the fair value of the Rx Vigilance license could be recovered. The full value has been impaired.
- As at May 31, 2016, intangible assets totaled \$100,000 and consisted of a distribution license for the US market, of Rx Vigilance "Quick Glance", a therapeutic advisor.
- As at May 31, 2015, intangible assets totaled \$1,035,619 and consisted of development costs and intellectual property rights of the PraxisLab software, which were sold on November 19, 2015 to Familiprix and thereby written off.

During the fiscal year ended May 31, 2016, the Company entered into a finance lease contract for an IP telephone system. As at May 31, 2017, the \$17,323 balance includes the short and long-term portions. As at May 31, 2016, the balance was \$22,024.

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 fiscal year 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.

**NET INCOME AND COMPREHENSIVE INCOME
SELECTED ANNUAL INFORMATION**

SELECTED ANNUAL INFORMATION	May 31, 2017	May 31, 2016	May 31, 2015
Revenue	\$ -	\$ -	\$ -
Selling expenses	\$ 349,372	\$ 136,927	\$ 135,736
Administrative expenses	890,146	1,096,088	980,139
General operating expenses	213,628	199,822	203,626
Development cost	306,589	210,619	253,427
Financial expenses	114,937	15,123	8,493
Impairment of fixed assets and intangible assets	129,556	-	816,242
Loss before income taxes and proportionate share in joint venture	\$ (2,004,228)	\$ (1,658,579)	\$ (2,397,663)
Net loss from continuing operations	\$ (2,004,228)	\$ (1,415,603)	\$ (1,679,945)
Net profit (loss) from discontinued operations	(113,736)	465,182	5,443,848
Net result and comprehensive income	\$ (2,117,964)	\$ (950,421)	\$ 3,763,903
Basic and diluted net result and comprehensive income per share	\$ (0.016)	\$ (0.007)	\$ 0.028
Weighted average number of outstanding common shares	135,591,268	135,591,268	135,591,268

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 to the financial statements. This note is reproduced herein in the section reserved for this purpose.

Selling expenses were \$349,372 for the fiscal year ended May 31, 2017 compared to \$136,927 for the fiscal year ended May 31, 2016 and \$135,736 for the fiscal year ended May 31, 2015. The increase during the fiscal year ended May 31, 2017, is explained by the fact that, from September 2, 2014 to February 28, 2016, 50% of the salary of certain individuals was recorded as a reduction of the provision for services to be rendered as part of the transaction with Telus Health, as well as fees related to the development of the US market.

Administrative and operating expenses remained stable over the fiscal years ended May 31, 2017, 2016 and 2015.

Development costs amounted to \$306,588 during the fiscal year ended May 31, 2017, compared to \$210,619 during the fiscal year ended May 31, 2016 and \$253,427 for the fiscal year ended May 31, 2015. The increase during the fiscal year ended May 31, 2017, is explained by the fact that, from September 2, 2014 to February 28, 2016, 50% of the salary of certain individuals was recorded as a reduction of the provision for services to be rendered as part of the transaction with Telus Health and absence of research and development tax credits for 2017.

For the fiscal year, ended May 31, 2017, financial expenses amounted to \$114,937 compared to \$15,123 for the fiscal year ended May 31, 2016 and \$8,493 for the fiscal year ended May 31, 2015. The increase in financial expenses during the fiscal year ended May 31, 2017 is attributable to financing costs, interest paid on short-term debts and long-term debt, as well as the finance lease contract.



The Company assessed that the advancement of its business plan for International markets made it impossible to recover, with estimated future cash flows, the fair value of intangible and fixed assets. As at May 31, 2017, an impairment of \$100,000 was recorded for the intangible assets Rx Vigilance license and an impairment of \$29,556 for fixed assets. As at May 31, 2015, an impairment of \$816,242 was recorded for the intangible asset ZRx Prescriber.

Overall, the net result and comprehensive income of the Company generates a loss of \$2,117,964 for the fiscal year ended May 31, 2017, compared to \$950,421 for the fiscal year ended May 31, 2016 and a profit of \$3,763,903 for the fiscal year ended May 31, 2015.

As at May 31, 2017, the basic and diluted net result per share is \$(0.016), \$(0.007) for the fiscal year ended May 31, 2016 and \$0.028 for the fiscal year ended May 31, 2015.

The following quarterly information are presented on the same basis as in the annual consolidated financial statements. The following amounts accurately correspond to the non-audited quarterly results and must be read in conjunction with the annual consolidated financial statements and its accompanying notes.

NET INCOME AND COMPREHENSIVE INCOME

SELECTED QUARTERLY INFORMATION - 2017

	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	\$ 662,108	\$ 414,253	\$ 503,616	\$ 424,251
Net loss and comprehensive income from continuing operations	\$ (662,108)	\$ (414,253)	\$ (503,616)	\$ (424,251)
Net profit (net loss) and comprehensive income from discontinued operations	(118,640)	1,664	1,635	1,605
Net income and comprehensive income	\$ (780,748)	\$ (412,589)	\$ (501,981)	\$ (422,646)
Basic and diluted net result per share from continuing operations	\$ (0.006)	\$ (0.003)	\$ (0.003)	\$ (0.003)

SELECTED QUARTERLY INFORMATION - 2016

	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	\$ 555,885	\$ 391,778	\$ 382,112	\$ 328,804
Net loss and comprehensive income from continuing operations	\$ (312,909)	\$ (391,778)	\$ (382,112)	\$ (328,804)
Net profit (net loss) and comprehensive income from discontinued operations	(355,748)	(43,193)	986,172	(122,049)
Net income and comprehensive income	\$ (668,657)	\$ (434,971)	\$ 604,060	\$ (450,853)
Basic and diluted net result per share from continuing operations	\$ (0.002)	\$ (0.003)	\$ (0.003)	\$ (0.002)

The quarterly information presented above shows a constancy of net income and comprehensive income except for Q4-2017. During the last quarter, the increase in operating expenses is related to the impairment of intangible assets and the depreciation of fixed assets of \$129,556 and amortization of financing costs of \$22,636. The loss related to the discontinued operations is explained by the write-off of the consideration receivable of \$119,583 because sales are well below expectations.

For the Fiscal year ended May 31, 2016, the second quarter generated a profit of \$604,060 and was attributable to the transaction with Familiprix.



**STATEMENTS OF CASH FLOWS
SELECTED ANNUAL INFORMATION**

CASH FLOWS	May 31, 2017	May 31, 2016	May 31, 2015
Cash flows used in operating activities	\$ (670,600)	\$ (1,790,468)	\$ (3,228,987)
Cash flows from financing activities	469,299	166,026	(2,212,029)
Cash flows from (used in) investment activities	(430)	1,373,565	5,855,368
Net change in cash and cash equivalents	\$ (201,731)	\$ (250,877)	\$ 414,352
Cash and cash equivalents, end of year	\$ 121,665	\$ 323,396	\$ 574,273

Cash flows from operating activities are detailed as follows:

- As at May 31, 2017, cash flows from operating activities of \$(670,600) were mainly attributable to the operating expenses financed by delays on salaries and creditors.
- As at May 31, 2016, the cash flows from operating activities were \$(1,790,468) and were mainly attributable to the operating expenses.
- As at May 31, 2015, the cash flows from operating activities were \$(3,228,987) and were mainly attributable to the operations expenses from continued activities.

Cash flows from (used in) financing activities are detailed as follows:

- For the fiscal year, ended May 31, 2017, financing activities of \$469,299 are related to a \$100,000 loan from a Director, a short-term financing of \$425,000, a repayment on long-term debt of \$51,000 and a repayment on an obligation under a finance lease contract for \$4,701.
- For the fiscal year ended May 31, 2016, financing activities of \$166,026 were related to the financing of leasehold improvements with Investissement Québec for a total amount of \$170,000 and a repayment of obligations under a finance lease contract for \$3,974.
- For the fiscal year, ended May 31, 2015, financing activities of \$(2,212,029) were all grouped under discontinued operations and were related to the redemption of the non-convertible debenture in the amount of \$1,834,173 and the repayment of Investissement Québec's loan for \$377,856.

Cash flows from investment activities are detailed as follows:

- For the fiscal year, ended May 31, 2017, investing activities totaling \$(430) and are attributable to the acquisition of fixed assets.
- For the fiscal year ended May 31, 2016, investing activities totaling \$1,373,565 include an amount of \$276,436 for the acquisition of fixed assets and a net amount of \$1,650,001 from the sale proceeds of PraxisLab software.
- For the fiscal year, ended May 31, 2015, cash flows from investing activities amounted to \$5,855,368. An amount of \$(32,499) as capitalization of development costs was classified as continuing operations and a net amount of \$5,890,679, from the sale proceeds of the Canadian market to Telus Health, was classified as discontinued operations.

The net change in cash and cash equivalents from these three types of activities amounted to \$(201,731) for the fiscal year ended May 31, 2017, \$(250,877) for the fiscal year ended May 31, 2016 and \$414,352 for the fiscal year ended May 31, 2015.

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 27) 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 affect the operating results or the financial position of the Company

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

Common shares	135,591,268
Stock options in accordance with the stock option plan	10,685,000

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.

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

The reclassification consisted of an allocation of income and expenses related to discontinued operations.

	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 the contingent consideration receivable	119,583	-
Amortization of development cost	-	225,313
	113,736	211,789
RESULT FROM DISCONTINUED ORDINARY OPERATIONS BEFORE TAXES	(113,736)	(211,789)
Income tax payable (tax recovery) from ordinary operation	-	(12,574)
RESULT FROM DISCONTINUED ORDINARY 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 (NET LOSS) ON DISPOSAL OF INTANGIBLE ASSETS	-	664,397



NET PROFIT FROM DISCONTINUED OPERATIONS	(113,736)	465,182
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(1) Net of legal fees in the amount of \$99,999 as at May 31, 2016.

**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 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

**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 accounting estimates and critical judgments used in the preparation of the Company's consolidated financial statements.

Estimated useful life

Management assesses fixed assets and identifiable intangible assets in line with the assets useful life. The amount and the Impairment 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
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 asset. 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
	\$	\$
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.

**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, fixed 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 costs	14,495
Carrying amount as at May 31, 2017	439,495

**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.

	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

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

	\$
2018	68,000
2019	51,000

**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 July 15, 2020 and the residual value is \$1. The contract is repayable in monthly payment of principal and interest totaling \$511.

	Total
	\$
Initial amount	25,998
Payment during the fiscal year	(3,974)
Balance as at May 31, 2016	22,024
Payment 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 contract	17,323	22,024

**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 fiscal year ended May 31, 2017 and May 31, 2016:

	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:

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

**NOTE 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 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 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.

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 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.

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 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. Financing costs 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.

NOTE 27
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.