

ZOOMMED

EMPOWERING DOCTORS



A HEALTH CARE PROFESSIONAL'S COMMUNICATION NETWORK FOR THE BENEFIT OF PATIENTS



**INTERIM FINANCIAL REPORT
AS AT FEBRUARY 28, 2011**

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**To the shareholders of
ZOOMMED INC.**

MANAGEMENT COMMENTS

The consolidated interim financial statements of ZoomMed Inc. for the period ended February 28, 2011 and all information contained in this interim financial report are the responsibility of the management and have been approved by the Board of Directors.

The consolidated interim financial statements were prepared by the management in accordance with generally accepted accounting principles and are consistent with the Company's business.

The Company complies with its TSX Venture Exchange listing agreement. The Company maintains rigorous systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the assets are correctly accounted for and protected.

Every year the Board of Directors appoints an Audit Committee composed of a majority of directors who are neither Company officers nor employees. The Audit Committee meets periodically with Management and the external auditors to review their tasks and discuss the audit, accounting policies and related financial matters. The results of the audit are also discussed as well. The Audit Committee also reviews the financial statements and the management report in order to make recommendations for their approval by the Board of Directors.

Consolidated interim financial statements for the nine-month period ended February 28, 2011 and February 28, 2010, as well as related comparative data, have not been reviewed or audited by external auditors. Some operating results, financial position and cash flows situation were also compared with information from the audited consolidated financial statements for fiscal year ended May 31, 2010.

April 19, 2011

**Yves Marmet,
President and Chief Executive Officer**



ZOOMMED INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED FEBRUARY 28, 2011 AND 2010

	February 28, 2011 (3 months) (unaudited)	February 28, 2010 (3 months) (unaudited)	February 28, 2011 (9 months) (unaudited)	February 28, 2010 (9 months) (unaudited)
REVENUE (Note 6)	\$ 587,656	\$ 527,633	\$ 1,628,209	\$ 991,554
OPERATING EXPENSES				
Selling expenses	391,098	276,769	1,076,573	790,726
Administrative expenses (Note 6)	804,605	379,402	1,658,267	1,327,677
General operating expenses	293,300	269,699	876,431	840,614
Development costs	257,106	203,378	680,029	564,821
Financial expenses	2,361	4,201	6,610	11,602
Amortization (Note 6)	207,742	311,330	618,430	903,253
	1,956,212	1,444,779	4,916,340	4,438,693
LOSS BEFORE INCOME TAXES	(1,368,556)	(917,146)	(3,288,131)	(3,447,139)
INCOME TAXES	-	-	-	-
NET LOSS	\$ (1,368,556)	\$ (917,146)	\$ (3,288,131)	\$ (3,447,139)
BASIC AND DILUTED EARNINGS PER SHARE	\$ (0.012)	\$ (0.009)	\$ (0.029)	\$ (0.035)
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	114,437,448	98,341,785	112,027,168	98,341,785



**ZOOMMED INC.
CONSOLIDATED BALANCE SHEETS
AS AT FEBRUARY 28, 2011 AND MAY 31, 2010**

	February 28, 2011 (unaudited)	May 31, 2010 (audited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,311,696	\$ 2,632,065
Accounts receivable (Note 7)	490,549	411,648
Prepaid expenses	21,966	30,771
	1,824,211	3,074,484
FIXED ASSETS (Note 8)	937,130	978,925
INTANGIBLE ASSETS (Note 9)	3,450,130	2,236,130
	\$ 6,211,471	\$ 6,289,539
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 10)	\$ 801,043	\$ 641,055
Deferred revenue	1,203,011	958,833
	2,004,054	1,599,888
LEASE INDUCEMENT	4,353	7,759
	2,008,407	1,607,647
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 12)	25,064,003	23,001,758
WARRANTS (Note 14)	624,082	1,794,661
CONTRIBUTED SURPLUS	5,328,017	3,065,176
DEFICIT	(26,813,038)	(23,179,703)
	4,203,064	4,681,892
	\$ 6,211,471	\$ 6,289,539

ON BEHALF OF THE BOARD OF DIRECTORS

Marie-Stéphanie Proulx

Director

Jos Harriet

Director



ZOOMMED INC.
CONSOLIDATED STATEMENTS OF DEFICIT AND CONTRIBUTED SURPLUS
FOR THE NINE-MONTH PERIODS ENDED FEBRUARY 28, 2011 AND 2010

	February 28, 2011 (9 months) (unaudited)	February 28, 2010 (9 months) (unaudited)
DEFICIT		
BALANCE, BEGINNING OF YEAR	\$ (23,179,703)	\$ (18,813,498)
Net loss	(3,288,131)	(3,447,139)
Share issue expenses	(345,204)	-
BALANCE, END OF YEAR	\$ (26,813,038)	\$ (22,260,637)
CONTRIBUTED SURPLUS		
BALANCE, BEGINNING OF YEAR	\$ 3,065,176	\$ 2,613,870
Fair value of stock options granted (Note 13)	370,787	43,110
Fair value of units granted to agents (Note 12)	97,393	-
Fair value of expired warrants (Note 14)	1,794,661	408,196
BALANCE, END OF YEAR	\$ 5,328,017	\$ 3,065,176



ZOOMMED INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED FEBRUARY 28, 2011 AND 2010

	February 28, 2011 (3 months) (unaudited)	February 28, 2010 (3 months) (unaudited)	February 28, 2011 (9 months) (unaudited)	February 28, 2010 (9 months) (unaudited)
OPERATING ACTIVITIES				
Net loss	\$ (1,368,765)	\$ (917,146)	\$ (3,288,131)	\$ (3,447,139)
Amortization	207,952	311,330	618,430	903,253
Increase in long-term debt	-	2,130	-	6,456
Stock-based compensation	370,787	-	370,787	43,110
Loss (gain) on disposal of fixed assets	(2,368)	3,995	5,255	790
Lease inducement	(1,034)	(1,187)	(3,406)	(3,559)
Unrealized appreciation on investments	-	19,740	-	(9,356)
	(793,428)	(581,138)	(2,297,065)	(2,506,445)
Net change in non-cash working capital items	447,608	204,654	334,072	598,752
Cash flows used in operating activities	(345,820)	(376,484)	(1,962,993)	(1,907,693)
FINANCING ACTIVITIES				
Repayments of long-term debt	-	(15,614)	-	(52,913)
Share issuance and warrants issuance	1,992,600	-	1,992,600	-
Share issue expenses	(198,190)	-	(201,583)	-
Cash flows used in financing activities	1,794,410	(15,614)	1,791,017	(52,913)
INVESTING ACTIVITIES				
Proceeds from disposal of a guaranteed investment certificate	-	475,000	-	2,000,000
Acquisition of fixed assets	(89,392)	23,824	(239,063)	(163,781)
Proceeds from disposal of fixed assets	3,433	1,666	57,075	17,020
Acquisition of intangible assets	(824,390)	(123,313)	(966,405)	(238,221)
Cash flows used in investing activities	(910,349)	377,177	(1,148,393)	1,615,018
NET CHANGE IN CASH AND CASH EQUIVALENTS				
	538,241	(14,921)	(1,320,369)	(345,588)
CASH BEGINNING OF YEAR	773,455	275,730	2,632,065	606,397
CASH END OF YEAR	\$ 1,311,696	\$ 260,809	\$ 1,311,696	\$ 260,809

Cash flows related to operating activities include interest paid of \$4 for the three-month period and \$207 for the nine-month period in 2010. There was no interest paid for the three-month and nine-month period in 2011.



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

1. IDENTIFICATION AND INDUSTRY

ZoomMed Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on February 24, 2005.

ZoomMed Inc. and its subsidiaries (“ZoomMed”) is committed to the development and the marketing of an extended drug information system network; “the e-Pic network”.

The e-Pic network aggregates communications and allows patients, physicians, pharmacists and pharmaceutical corporations to interact, thus enhancing health care stakeholder’s efficiency.

As part of this network, ZoomMed developed and markets the “ZRx Prescriber”, a technological innovative Web application that enables physicians to use a wireless device, such as the iPod Touch, iPhone, iPad, Google Android, other PDA’s or computers, to write and rapidly deliver scripts to pharmacies.

The ZRx Prescriber is quick, efficient and intuitive. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR). The ZRx Prescriber is also, for the physician, a mobile source of information coming from pharmaceutical corporations, as well as private and public institutions.

Furthermore, ZoomMed develops and markets a new application that enhances all aspects of the prescription filling process and the complete pharmacists patient file management “PraxisLab”. PraxisLab uses up-to-date Web technology which is perfectly compatible with the technology used by ZoomMed.

The ensuing communication and management improvement enhances the health care system and allows patients to have access to faster and more secure services.

The Company common shares are trading on the TSX Venture Exchange under ZMD symbol.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of ZoomMed Inc. and its subsidiaries ZoomMed Medical Inc. and ZoomMed USA Inc. The latter had no activities during the nine-month period ended February 28, 2011.

Revenue recognition

Revenue derived from annual contracts, related to the e-Pic network, is recognized, using the straight-line method over the duration of the related agreements.

Financial assets and liabilities

ZoomMed has elected to classify cash, accounts receivable and investments as “held for trading”. Consequently, any changes in the fair value of these assets will be recorded directly in net results.



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Accounts payable and long-term debts are classified in “other liabilities” and accounted for at cost. Transaction costs related to “other liabilities” are capitalized and, recognized using the effective interest rate method and recorded in the net result.

Fixed assets

Fixed assets are recorded at cost and are amortized using the following methods and rates:

	Method	Rates
Furniture	Declining balance	20%
Computer equipment	Declining balance	30%
Computer equipment for <i>ZRx Prescriber</i>	Declining balance	30%
Leasehold improvements	Straight-line	20% - 10%

Intangible assets

Intangible assets are recorded at cost and are amortized using the straight-line method and the following rates:

	Rates
Web site	33%
Software	50%
Intellectual properties	10%
Licenses and rights	33%
Development costs	33%

The ZRx Prescriber intellectual property is recorded at cost, plus related future income taxes, and is amortized over a ten-year period from the marketing date of the product, which is November 2006. The PraxisLab intellectual property is recorded at cost and will be amortized over a ten-year period from the marketing date of the product.

The ZRx Prescriber development costs, which include the development of the e-Pic network and the additional new functionalities, according to future economic benefits, are amortized using the straight-line method over a three-year period from the implementation date of the product. PraxisLab development costs will be amortized using the straight-line method over a three-year period from the implementation date of the product.

ZoomMed reviews the recoverability of the deferred development costs valuing the future forecasted cash flows related to the marketing of the products to which these fees are linked.

Government assistance

The portion of investment tax credits related to capitalized development costs are applied against these capitalized development costs.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment of long-lived assets

An impairment loss is recognized when an event or situation indicates that the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recognized within the period of the impairment.

Lease inducement

The lease inducement includes the difference between the rental expense apportioned over the lease term according to a systematic formula and the minimum lease payment, considering the inducements.

Stock-based compensation

The Company uses the fair value based method (Black & Scholes) of accounting for all stock options granted to its officers, directors, employees and consultants whereby a compensation expense is recognized on the day the options are granted, with a corresponding increase to contributed surplus. When options are exercised, capital stock is credited by the sum of consideration paid together with the released portion previously recorded to the contributed surplus.

Accounts denominated in foreign currencies

Accounts denominated in foreign currencies are translated using the temporal method. Under this method, monetary balance sheet items are translated using the exchange rates in effect at year end and non-monetary items are translated using the historical exchange rates. Revenues and expenses, other than amortization and cost of goods which are translated using the same exchange rates as the related assets, are translated using the average exchange rates for the period. Profits and losses are included in the corresponding financial results.

Use of accounting estimates

Preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in financial statements and related notes. Estimates are based on management's best knowledge of current events and actions ZoomMed may undertake in the future. Actual results could differ from those estimates.

Financial statement items that require such estimates include future benefits from development costs, intellectual property, future income tax assets and goodwill, income tax provision, the recoverable amount of research and development tax credits, the assumptions used in the determination of the stock-based compensation charge and fair value of financial instruments.

Basic and fully diluted earnings per share

Basic and fully diluted earnings per share are calculated using the weighted average number of outstanding common shares during the year. The Company uses the treasury stock method to determine the dilutive effects of stock options and warrants when cumulating diluted earnings per share. The fully diluted earnings per share are equal to the basic earnings per share because of their anti dilutive effect when a loss is incurred.

3. CHANGES IN ACCOUNTING POLICIES



Financial Instruments – Disclosures (Section 3862)

During fiscal year 2010, ZoomMed adopted the new accounting standards related to Section 3862. This Section was amended to include additional disclosure requirements regarding fair value measurements. These new standards had no material impact on ZoomMed's consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (CPN-173)

During fiscal year 2010, ZoomMed adopted a new pronouncement published by the Emerging Issues Committee (EIC-173). The Committee requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets. These new recommendations had no material impact on the consolidated financial statements.

4. FUTURES CHANGES IN ACCOUNTING POLICIES

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In December 2008, the CICA approved three new accounting standards Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", replacing Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 provides the Canadian equivalent to IFRS 3 – "Business Combinations" (January 2008) and Sections 1601 and 1602 to IAS 27 – "Consolidated and Separate Financial Statements" (January 2008). Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Entities adopting Section 1582 will also be required to adopt Sections 1601 and 1602.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will require a change in the measurement of non-controlling interest and will require the non-controlling interest to be presented as part of shareholders' equity on the balance sheet. In addition, the net earnings will include 100% of the subsidiary's results and will be allocated between the controlling interest and non-controlling interest. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. All three standards are effective at the same time Canadian public corporations will have adopted IFRS, for fiscal year beginning on or after January 1, 2011. We are currently evaluating the impact of these standards on the consolidated financial statements.

4. FUTURES CHANGES IN ACCOUNTING POLICIES (CONT.)



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (ACSB) confirmed January 1, 2011 as the date that IFRS will replace current Canadian GAAP for publicly accountable enterprises. Even if Canadian GAAP and IFRS are both principles-based and use comparable conceptual frameworks, there are significant recognition, measurement, presentation and disclosure differences. In the period leading up to the changeover, the ACSB expect to issue converged accounting standards, intentionally mitigating the impact of adopting IFRS at the changeover date. We plan to prepare our interim and annual financial statements in accordance with IFRS for periods commencing on June 1, 2011. The Management's Discussion and Analysis gives a detailed, four steps, transition plan with the implementation schedule and a table containing preliminary conclusions. We are currently evaluating the impact of these standards on the consolidated financial statements.

5. BUSINESS ACQUISITION

On February 10, 2011, the company acquired 100% of the shares of Praxis Santé Inc., a private company which develops software applications that enhances all aspects of the prescription filling process and the complete pharmacists patient file management "PraxisLab". PraxisLab uses up-to-date Web technology which is perfectly compatible with the technology used by ZoomMed. Compensation included a cash payment of \$800,000 and the issuance of 3,500,000 shares at a fair value of \$647,500.

The excess of the purchase price over the fair value of net identifiable assets of \$1,163,802 was recognized as intellectual property.

The acquisition has been accounted using the purchase method and, accordingly, the results of operations have been included in the consolidated financial statements from the date of acquisition.

The estimated fair value of the net identifiable assets acquired is attributed as follows:

Current assets	
Cash	\$ 14,405
Accounts receivable	14,953
	<hr/>
	29,358
Fixed assets	13,560
Development costs	250,261
Intellectual property	1,163,802
Total assets	<hr/> 1,456,981
Liabilities	
Accounts payable	9,481
Total liabilities	<hr/> 9,481
Net assets acquired	<hr/> \$ 1,447,500

6. INFORMATION ON INCOME



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

	February 28, 2011 (3 months)	February 28, 2010 (3 months)	February 28, 2011 (9 months)	February 28, 2010 (9 months)
a) Revenue:				
Operating revenue	\$ 587,384	\$ 522,559	\$ 1,620,883	\$ 957,158
Interest income	272	5,074	7,326	34,396
	<u>\$ 587,656</u>	<u>\$ 527,633</u>	<u>\$ 1,628,209</u>	<u>\$ 991,554</u>
b) Administrative expenses				
Administrative expenses	\$ 433,818	\$ 379,402	\$ 1,287,480	\$ 1,284,567
Stock-based compensation	370,787	-	370,787	43,110
	<u>\$ 804,605</u>	<u>\$ 379,402</u>	<u>\$ 1,658,267</u>	<u>\$ 1,327,677</u>
c) Amortization:				
Amortization of fixed Assets	\$ 74,926	\$ 95,594	\$ 218,526	\$ 282,958
Amortization of development costs	59,418	114,841	179,709	317,612
Amortization of intangible assets	73,398	100,895	220,195	302,683
	<u>\$ 207,742</u>	<u>\$ 311,330</u>	<u>\$ 618,430</u>	<u>\$ 903,253</u>

7. ACCOUNTS RECEIVABLE

	February 28, 2011	May 31, 2010
Accounts receivable	\$ 408,249	\$ 315,906
Research and development tax credits ⁽¹⁾	82,300	82,300
Sales tax receivable	-	13,442
	<u>\$ 490,549</u>	<u>\$ 411,648</u>

⁽¹⁾ The precise receivable amount will be known when Revenu Quebec will process and approve the claim. Approved amount could differ from the recorded amount.

8. FIXED ASSETS

	February 28, 2011		
	Cost	Accumulated Amortization	Net Book Value
Furniture	\$ 147,387	\$ 88,815	\$ 58,572
Computer equipment	233,231	147,673	85,558
Computer equipment ZRx Prescriber	1,751,377	963,160	788,217
Leasehold improvements	61,586	56,803	4,783
	<u>\$ 2,193,581</u>	<u>\$ 1,256,451</u>	<u>\$ 937,130</u>

8. FIXED ASSETS (CONT.)



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

		May 31, 2010	
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture	\$ 145,578	\$ 78,173	\$ 67,405
Computer equipment	203,604	124,952	78,652
Computer equipment for ZRx Prescriber	1,696,130	876,453	819,677
Leasehold improvements	61,586	48,395	13,191
	\$ 2,106,898	\$ 1,127,973	\$ 978,925

9. INTANGIBLE ASSETS

		February 28, 2011	
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets			
Web site	\$ 26,200	\$ 26,200	\$ -
Software	4,322	4,322	-
Licenses and rights	175,000	175,000	-
Intellectual properties	4,099,736	1,247,772	2,851,964
Development costs	2,236,373	1,638,207	598,166
	\$ 6,541,631	\$ 3,091,501	\$ 3,450,130

		May 31, 2010	
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets			
Web site	\$ 26,200	\$ 26,200	\$ -
Software	4,322	4,322	-
Licenses and rights	175,000	175,000	-
Intellectual property	2,935,934	1,027,577	1,908,357
Development costs	1,786,272	1,458,499	327,773
	\$ 4,927,728	\$ 2,691,598	\$ 2,236,130

During fiscal year 2010, ZoomMed applied research and development tax credits of \$68,400 as a reduction of capitalized development costs.

10. ACCOUNTS PAYABLE

	February 28, 2011	May 31, 2010
Accounts payable and accrued liabilities	\$ 410,582	\$ 332,425
Wages and deductions at source	382,576	308,630
Sales tax	7,885	-
	\$ 801,043	\$ 641,055



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

11. COMMITMENTS

- a) As at February 28, 2011, the balance of commitments under operating leases amounts to \$732,347.

Minimum lease payments for the next twelve-month periods are as follows:

	2012	2013	2014	2015	2016
Leasehold – Head Office	\$ 121,132	\$ 121,247	\$ 122,525	\$ 122,641	\$ 123,918
Leasehold – Toronto	61,423	30,712	-	-	-
Leasehold – Montréal	14,300	1,300	-	-	-
Multi-function printer	7,013	6,136	-	-	-
	\$ 203,868	\$ 159,395	\$ 122,525	\$ 122,641	\$ 123,918

- b) ZoomMed signed a professional service agreement for the purpose of developing a software interface between the Assyst-Rx system and the e-Pic network for a minimum annual price of \$162,000 for a period of three years. The interface will provide an inter-communication between the Assyst-Rx system and the e-Pic network in order to allow pharmacies and physicians to exchange information.

12. SHARE CAPITAL

a) Authorized

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

b) Issued and fully paid

	February 28, 2011	May 31, 2010
127,197,268 (110,841,785 in 2010) common shares	\$ 25,064,003	\$ 23,001,758

c) Transaction during the period ended February 28, 2011.

On February 9, 2011, the Company completed a first closing of a private placement, for gross proceeds of \$1,992,600 issuing 12,855,483 units of the Company at a price of \$0.155 per unit. Each unit is comprised of one common share in the share capital of the Company and one-half of one common share purchase warrant. Each whole warrant gives the holder the right to purchase one common share at a price of \$0.17 for a period of 24 months. The Company granted an 8% cash commission to the agents and a number of warrants to purchase units equal to 8% of the total number of units sold under the offering at a price of \$0.155 per unit. Each unit is comprised of one common share in the share capital of the Company and one-half of one common share purchase warrant.



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

12. SHARE CAPITAL (CONT.)

On February 10, 2011, the company acquired 100% of the shares of Praxis Santé Inc. Compensation included a cash payment of \$800,000 and the issuance of 3,500,000 shares at a fair value of \$647,500.

The fair value of the units awarded to agents during the nine-month period ended February 28, 2011 was estimated on the grant date using the Black-Scholes options pricing model with the following assumptions:

	February 28, 2011
Date	February 9 2011
Quantity	1,028,439
Stock price	\$0.155
Dividend yield	Nil
Expected volatility	90%
Risk-free interest rate	1.87%
Expected life	24 month

Fees paid to agents related to the private placement represent a \$97,313 share issue for the nine-month period ended February 28, 2011.

d) Transaction during fiscal year 2010

On May 2010, the Company completed a private placement, for gross proceeds of \$2,500,000, issuing 12,500,000 shares of the Company at a price of \$0.20 per share.

e) Share capital reconciliation

	Number	Issued and fully paid
Balance as at May 31, 2009	98,341,785	\$ 20,501,758
Issued related to the private placement (May 2010)	12,500,000	2,500,000
Balance as at May 31, 2010	110,841,785	\$ 23,001,758
Issued related to the private placement (February 2011)	12,855,483	\$ 1,414,745
Issued related to company acquisition	3,500,000	647,500
Balance as at February 28, 2011	127,197,268	\$ 25,064,003

f) Escrowed shares

In accordance with the requirements of the TSX Venture Exchange, all of the 18,000,000 issued common shares from the reverse takeover are held in escrow under a security escrow agreement.



ZOOMMED INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 2011 (Unaudited)

12. SHARE CAPITAL (CONT.)

The agreement representing 18,000,000 common shares, under the terms of the agreement, no percentage of common shares held in escrow were released upon publication of the Final Exchange Bulletin and 5% of the original number of escrowed common shares were released on a six-month intervals on the 6th, 12th, 18th, 24th and 10% were released on the 30th, 36th, 42nd, 48th, 54th, 60th, 66th months and 10% will be released on the 72nd months following the initial release. The escrowed agreement will end on August 8, 2011.

As at February 28, 2011, 1,800,000 common shares (5,400,000 as at May 31, 2010) were still held in escrow.

13. STOCK OPTION PLAN

The shareholders of the Company approved a resolution modifying the stock option plan from a 10% "fixed" stock option plan to a 10% "rolling" stock option plan as described in the management proxy circular for the annual and special meeting of shareholders held November 26, 2010. 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 period ended February 28, 2011 and for the fiscal year ended May 31, 2010:

	Options	Average Exercise price
Balance as at May 31, 2009	9,641,500	\$0.31
Awarded	300,000	\$0.24
Expired	(220,000)	\$0.37
Balance as at May 31, 2010	9,721,500	\$0.31
Awarded	3,207,500	\$0.20
Expired	(2,130,000)	\$0.25
Balance as at February 28, 2011	10,799,000	\$0.29

The following tables summarize the information about the outstanding stock options for the period ended February 28, 2011 and for the fiscal year ended May 31, 2010.



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13. STOCK OPTION PLAN (CONT.)

a) As at February 28, 2011

Number	Outstanding options		Exercisable options	
	Weighted average remaining contractual life (months)	Weighted average exercise price	Number	Weighted average exercise price
989,000	4	\$0.20	989,000	\$0.20
640,000	9	\$0.20	640,000	\$0.20
150,000	11	\$0.25	150,000	\$0.25
3,037,500	14	\$0.50	3,037,500	\$0.50
2,575,000	29	\$0.20	2,575,000	\$0.20
100,000	42	\$0.32	100,000	\$0.32
100,000	42	\$0.20	100,000	\$0.20
3,172,500	58	\$0.20	⁽¹⁾ 3,172,500	\$0.20
35,000	58	\$0.20	⁽¹⁾ 35,000	\$0.20
10,799,000	30	\$0.29	10,799,000	\$0.29

⁽¹⁾The options issued under this plan are subject to transfer restrictions for a period of four months from the grant date.

Transaction during the nine-month period ended February 28, 2011.

On December 2010, the Company granted 3,207,500 options which entitle the holder to purchase 3,207,500 common shares at an exercise price of \$0.20 per share for a period of five years.

The fair value of the stock options awarded during the period ended February 28, 2011 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

Date	February 28, 2011	
	December 13, 2010	December 16, 2010
Quantity	3,172,500	35,000
Stock price	\$0.17	\$0.17
Dividend yield	Nil	Nil
Expected volatility	90%	90%
Risk-free interest rate	2.49%	2.49%
Expected life	60 months	60 months

The non-recurrent stock-based compensation expense amounts to \$370,787 for the nine-month period ended February 28, 2011.



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13. STOCK OPTION PLAN (CONT.)

b) As at May 31, 2010

Number	Outstanding options		Exercisable options	
	Weighted average remaining contractual life (months)	Weighted average exercise price	Number	Weighted average exercise price
540,000	1	\$0.20	540,000	\$0.20
1,205,000	3	\$0.25	1,205,000	\$0.25
994,000	13	\$0.20	994,000	\$0.20
640,000	18	\$0.20	640,000	\$0.20
150,000	20	\$0.25	150,000	\$0.25
3,087,500	23	\$0.50	3,087,500	\$0.50
50,000	29	\$0.40	50,000	\$0.40
100,000	34	\$0.40	100,000	\$0.40
2,655,000	38	\$0.20	2,655,000	\$0.20
100,000	51	\$0.32	100,000	\$0.32
200,000	51	\$0.20	200,000	\$0.20
9,721,500	23	\$0.31	9,721,500	\$0.31

Transactions during fiscal year 2010

On August 13, 2009, the Company granted 100,000 options which entitle the holder to purchase 100,000 common shares at an exercise price of \$0.32 per share for a period of five years.

On August 26, 2009, the Company granted 200,000 options which entitle the holder to purchase 200,000 common shares at an exercise price of \$0.20 per share for a period of five years.

The fair value of the stock options awarded during the year 2010 was estimated on the grant date using the Black-Scholes pricing model with the following assumptions:

Date	May 31, 2010	
	August 13, 2009	August 26, 2009
Quantity	100,000	200,000
Stock price	\$0.21	\$0.20
Dividend yield	Nil	Nil
Expected volatility	95%	95%
Risk-free interest rate	2.61%	2.65%
Expected life	60 months	60 months

The stock-based compensation expense amounts to \$43,110 for the fiscal year ended May 31, 2010.



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14. WARRANTS

The following table summarizes the changes in the plan position for the six-month period ended February 28, 2011 and the fiscal year ended May 31, 2010:

	Warrants	Weighted average exercise price	Value
Balance as at May 31, 2009	24,500,224	\$0.31	\$ 2,202,857
Warrants expired	(11,294,477)	\$0.25	(408,196)
Balance as at May 31, 2010	13,205,747	\$0.35	\$ 1,794,661
Warrants expired	(13,205,747)	\$0.35	\$ (1,794,661)
Awarded to investors	6,427,742	\$0.17	577,854
Awarded to brokers	514,219	\$0.17	46,228
Balance as at February 28, 2011	6,941,961	\$0.17	\$ 624,082

a) Transaction during the nine-month period ended February 28, 2011.

On July 8, 2010, 13,205,747 warrants, with an exercise price of \$0.35 each, have expired. These warrants were cancelled and the total carrying value, which was \$1,794,661, was transferred to the contributed surplus.

On February 9, 2011, the Company completed a first closing of a private placement, for gross proceeds of \$1,992,600 issuing 12,855,483 units of the Company at a price of \$0.155 per unit. Each unit is comprised of one common share in the share capital of the Company and one-half of one common share purchase warrant. Each whole warrant gives the holder the right to purchase one common share at a price of \$0.17 for a period of 24 months. The Company granted an 8% cash commission to the agents and a number of warrants to purchase units equal to 8% of the total number of units sold under the offering at a price of \$0.155 per unit. Each unit is comprised of one common share in the share capital of the Company and one-half of one common share purchase warrant.

The following table summarizes the information about the outstanding warrants as at February 28, 2011.

Number	Outstanding warrants	
	Weighted average remaining contractual life (months)	Weighted average exercise price
6,427,742	24	\$0.17
514,219	24	\$0.17
6,941,961	24	\$0.17



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14. WARRANTS (CONT.)

b) Transactions during fiscal year 2010

On August 10, 2009, 9,625,000 warrants, with an exercise price of \$0.24 each, have expired. These warrants were cancelled and the total carrying value, which was \$192,500, was transferred to the contributed surplus.

On January 8, 2010, 1,669,477 warrants, with an exercise price of \$0.29 each, have expired. These warrants were cancelled and the total carrying value, which was \$215,696, was transferred to the contributed surplus.

The following table summarizes the information about the outstanding warrants as at May 31, 2010.

Number	Outstanding warrants	
	Weighted average remaining contractual life (months)	Weighted average exercise price
13,205,747	2	\$0.35

15. FINANCIAL INSTRUMENTS

Fair value

The fair value of cash, guaranteed investment certificates, accounts receivable and accounts payable is equal to their carrying amount given their forthcoming maturities.

Section 3862, "Financial Instruments – Disclosures and presentation", was amended to require additional disclosure regarding fair value measurements, including a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three level of hierarchy regarding fair value measurements are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted prices, for which assets or liabilities are directly or indirectly observable;
- Level 3 – Inputs that are not based on observable market data.

As at February 28, 2011, all assets and liabilities were classified in level 1.

Credit risk management

ZoomMed extends credit to its customers in normal course of business. Ongoing credit assessments are conducted and the balance sheet reflects the allowance for doubtful accounts. No qualitative assessment was conducted, since the management believes the credit risk is immaterial.



15. FINANCIAL INSTRUMENTS (CONT.)

Interest rate risk management

ZoomMed does not have any variable rate debt. Furthermore, ZoomMed invests its cash in financial instruments bearing guaranteed interest. These financial instruments represent a minimal risk for ZoomMed.

Market risk

The future performance of ZoomMed 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.

Liquidity risk

In order to meet additional capital requirements, ZoomMed 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. ZoomMed manages this risk by establishing detailed cash forecasts, as well as long-term operating and strategic plans. According to these forecasts, cash flows for operating activities will be generated by pharmaceutical corporations and pharmacies contracts for the use of the e-Pic network.

Key personnel risk

Recruiting and retaining qualified personnel is essential to ZoomMed's success. ZoomMed believe that it has been successful in recruiting excellent personnel to help it meet their objectives but, as its activities grow, it is possible that additional key financial, administrative, research and marketing personnel will be required. Although ZoomMed believe that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

16. CAPITAL DISCLOSURES

In regards to capital management, ZoomMed's objective, from the beginning of its operations, is the continuity of its operations in order to carry on with the development and marketing of its products, the protection of its assets, while maximizing the shareholders return on investment. ZoomMed is not subject to any externally imposed capital requirements. ZoomMed has several options regarding its capital needs. See Note 15 for more details.

ZoomMed defines its capital as the sum of its shareholders equity and long-term debt. The shareholders equity \$(4,203,064) as at February 28, 2011 and \$4,681,892 as at May 31, 2010) includes: share capital, warrants, contributed surplus and deficit. The capital decrease of \$478,828 during the nine-month period ended February 28, 2011 is the result of a private placement combined with the deficit of the period.



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17. SUBSEQUENT EVENTS

On March, 2011, the Company completed a second and final portion of a private placement, for gross proceeds of \$507,999, issuing 3,277,419 units of the Company at a price of \$0.155 per unit. The whole private placement generated gross proceeds of \$2,500,599 by issuing 16,132,902 units at a price of \$0.155 per unit.

18. RELATED PARTY TRANSACTIONS

Period ended February 28, 2011

During the year, ZoomMed paid professional fees totalling \$64,680 to one company owned by a shareholder and director. As at February 28, 2011, accounts payable include an amount of \$7,210 relating to these transactions.

These transactions were carried out in the normal course of business and are measured at the exchange value which is the value of the consideration established and agreed to by the related parties.

Period ended February 28, 2010

During the year, ZoomMed paid professional fees totalling \$63,000 to one company owned by a shareholder and director. As at February 28, 2010 accounts payable include an amount of \$7,000 relating to these transactions.

These transactions were carried out in the normal course of business and are measured at the exchange value which is the value of the consideration established and agreed to by the related parties.

19. COMPARATIVE FIGURES

Some of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

