

ZOOMMD

EMPOWERING DOCTORS



2012 : The ZRX PRESCRIBER REACHES NEW FRONTIERS



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis explains ZoomMed Inc.'s consolidated comprehensive income, financial position and cash flows situation for the periods ended February 28, 2013 and February 29, 2012. It must be read in conjunction with the non-audited interim consolidated financial statements and its accompanying notes as at February 28, 2013 and February 29, 2012. Some operating results, financial position and cash flows situation were also compared with information from fiscal year ended May 31, 2012.

Management prepared this report by taking into account all available information as at April 19, 2013. This Management's Discussion and Analysis report includes ZoomMed Inc. and its subsidiaries (the "Company") financial position.

The Company prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). They have been prepared using the same accounting policies and method of computation as the annual consolidated financial statements for the fiscal year ended May 31, 2012. The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the fiscal year ended May 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

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 reflect Management's best assessment for assumptions made regarding future events. Thus readers are hereby cautioned that actual results may differ materially.

This Management's Discussion and Analysis and the interim 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 use a wireless device, such as iPhone™, iPad™, Google Android™ or computers, to write and rapidly deliver scripts. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR).

The Company's "e-Pic Communication Network" is a clinical information exchange platform between physicians and the various other stakeholders of the healthcare sector, such as pharmacists, specialists, pharmaceutical corporations, laboratories, specialized clinics and others.

Furthermore, the Company also offers "PraxisLab" new pharmacy management software that enhances all aspects of the prescription filling process and the complete pharmacists patient file management. PraxisLab uses state-of-the-art protocols and up-to-date software standards.

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

ZoomMed Inc. common shares are trading on the TSX Venture Exchange under ZMD symbol.





The Company's registered head office is located at 6300 Auteuil Street, Suite 121, Brossard, Québec, Canada, J4Z 3P2.

COMPREHENSIVE INCOME

SELECTED INTERIM INFORMATION THREE-MONTH PERIODS

STATEMENTS OF COMPREHENSIVE INCOME	February 28, 2013	February 29, 2012
Operating revenue	\$ 1,055,584	\$ 581,257
Selling expenses	\$ 194,907	\$ 327,271
Administrative expenses	\$ 343,266	\$ 448,080
Operating expenses	\$ 227,837	\$ 341,335
Development costs	\$ 446,839	\$ 287,952
Financial expenses	\$ 94,732	\$ 83,437
Net loss and comprehensive income	\$ (251,997)	\$ (906,818)
Basic and diluted net earnings per share	\$ (0.002)	\$ (0.007)
Weighted average number of outstanding common shares	130,474,687	130,474,687

SELECTED INTERIM INFORMATION NINE-MONTH PERIODS

STATEMENTS OF COMPREHENSIVE INCOME	February 28, 2013	February 29, 2012
Operating revenue	\$ 3,378,985	\$ 1,848,127
Selling expenses	\$ 566,419	\$ 990,455
Administrative expenses	\$ 1,047,519	\$ 1,243,769
Operating expenses	\$ 654,262	\$ 1,041,618
Development costs	\$ 1,117,622	\$ 943,771
Financial expenses	\$ 271,410	\$ 146,047
Net loss and comprehensive income	\$ (278,247)	\$ (2,517,533)
Basic and diluted net earnings per share	\$ (0.002)	\$ (0.019)
Weighted average number of outstanding common shares	130,474,687	130,474,687

For the quarter ended February 28, 2013, operating revenue increased by 81% compared to the corresponding 2012 quarter. For the nine-month period ended February 28, 2013, operating revenues increased by 83%. Contracts related to the e-Pic Communication Network are generally for a period of twelve months, consequently, revenue are recognized using the straight-line method over their duration. As a result, a portion of operating revenue is recorded in under liabilities as deferred revenue.

Selling expenses added up to \$566,419 for the nine-month period ended February 28, 2013, compared to \$990,455 for the nine-month period ended February 29, 2012. The selling expenses decrease is mainly related to the additional expenses incurred, during the period ended February 29, 2012, to develop the American market. These additional efforts particularly lead, in February 2012, to the signature of a first development agreement regarding an Electronic Medical Record (EMR) intended for all North American behavioural health providers, and a new partnership in a joint venture called « EvEMR Inc. ». In October 2012, an additional software development agreement was signed.

Administrative expenses totaled \$1,047,516 for the nine-month period ended February 28, 2013, compared to \$1,243,769 for the nine-month period ended February 29, 2012, representing a decrease of approximately 16%.





Operating expenses amounted to \$654,262 for the nine-month period ended February 28, 2013, compared to \$1,041,618 for the nine-month period ended February 29, 2012. The operating expenses decrease is partly attributable to the use of new technologies that simplifies the deployment of our services, as well as the standardization and computerization of clients training processes.

Development costs were stable during the nine-month period ended February 28, 2013, compared to the 2012 corresponding period. Development costs are recorded under two methods; one portion (new functionalities) is capitalized according to future economic benefits and the other portion is recorded as expenses. For the nine-month period ended February 28, 2013, capitalized development costs amounted to \$271,410 and expensed development costs to \$1,117,622, for a total of \$1,409,095. For the nine-month period ended February 29, 2012, capitalized development costs amounted to \$506,037 and expensed development costs to \$1,117,622, for a total of \$1,449,808.

Financial expenses amounted to \$271,410 for the nine-month period ended February 28, 2013 and \$146,407 the nine-month period ended February 29, 2012.

The Company recorded a net loss of \$251,997 for the three-month period ended February 28, 2013, compared to a net loss of \$906,818 for the three-month period ended February 29, 2012. The Company recorded a net loss of \$278,247 for the nine-month period ended February 28, 2013 compared to a \$2,517,533 net loss for the nine-month period ended February 29, 2012.

The Company recorded a \$0.002 net loss per share for the three-month period ended February 28, 2013 and a \$0.007 net loss per share for the three-month period ended February 29, 2012. The Company recorded a \$0.002 net loss per share for the nine-month period ended February 28, 2013 and a \$0.019 net loss per share for the nine-month period February 29, 2012.

FINANCIAL POSITION

STATEMENTS OF FINANCIAL POSITION	February 28, 2013	May 31, 2012
Cash and cash equivalents	\$ 374,266	\$ 1,464,714
Fixed assets	\$ 123,285	\$ 219,897
Intangible assets	\$ 3,031,614	\$ 3,025,949
Interest in joint venture	\$ 4,000	\$ 4,000
Total assets	\$ 3,635,766	\$ 5,196,855
Deferred revenues (short and long term)	\$ 1,338,011	\$ 2,590,272
Liability component of convertible debenture	\$ 1,418,048	\$ 1,329,028
Shareholders' equity	\$ 410,780	\$ 581,787
Share capital	\$ 25,438,120	\$ 25,438,120

Net change in cash and cash equivalents is mainly related to operating and development activities. No financing activity was recorded for the nine-month period ended February 28, 2013.

Fixed assets slightly decreased since May 31, 2012 resulting from the amortization expense.

Intangible assets have remained constant and results from the capitalized development costs of new products and amortization recorded during the periods. PraxisLab development costs are fully capitalized and will be amortized on a straight-line basis over a period of three years from the date of its introduction to the market.

The recorded interest in joint venture comes from a new partnership concluded on May 29, 2012. As a result, the Company holds 40% of the equity shares and 50% of the voting shares in EvEMR's joint venture, which was established to implement and commercialize, throughout North America, an Electronic Medical Record (EMR) designed for all behavioural health providers. It will be a modular product built around a smart clinical note-writer application. The joint venture fiscal year is December 31.





Deferred revenue amounted to \$1,338,011 as at February 28, 2013 and \$2,590,272 as at May 31, 2012. The majority of these contracts is for a twelve-month period and has to be recognized on a straight-line basis over the duration of the agreements, therefore generating deferred revenue.

The Company's shareholders equity slightly decreased, totalling \$410,780 as at February 28, 2013 and \$581,787 as at May 31, 2012.

CASH FLOWS

SELECTED INTERIM INFORMATION THREE-MONTH PERIODS

CASH FLOWS SITUATION	February 28, 2013	February 29, 2012
Cash flows used in operating activities	\$ (65,396)	\$ 791,387
Cash flows from financing activities	\$ -	\$ -
Cash flows used in investment activities	\$ (93,224)	\$ (192,113)
Net change in cash and cash equivalents	\$ (158,620)	\$ 599,274
Cash and cash equivalents, end of year	\$ 374,266	\$ 927,884

SELECTED INTERIM INFORMATION NINE-MONTH PERIODS

CASH FLOWS SITUATION	February 28, 2013	February 29, 2012
Cash flows used in operating activities	\$ (803,805)	\$ (1,577,537)
Cash flows from financing activities	\$ -	\$ 1,327,827
Cash flows used in investment activities	\$ (286,643)	\$ (520,430)
Net change in cash and cash equivalents	\$ (1,090,448)	\$ (770,140)
Cash and cash equivalents, end of year	\$ 374,266	\$ 927,884

Cash flows used for operating activities amounted to \$(803,805) for the nine-month period ended February 28, 2013 and \$(1,577,537) for the nine-month period ended February 29, 2012. The reduction is attributable to a decrease in losses.

For the nine-month period ended February 28, 2013 there was no financing activity. During the nine-month period ended February 29, 2012, the Company has issued a secured convertible debenture, for a net proceed of \$1,327,827.

For the nine-month periods ended February 28, 2013 and February 29, 2012, cash flows from investing activities are related to the acquisition of fixed assets and the capitalization of development costs.

The net change in cash and cash equivalents from these three types of activities amounted to \$(1,090,448) for the nine-month period ended February 28, 2013 and \$(770,140) for the nine-month period ended February 29, 2012.

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 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 be generated by the ZRx Prescriber, PraxisLab and the e-Pic Communication Network.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTIES

a) 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. Key management wage compensation, for the nine-month period ended February 28, 2013 totaled \$361,538 (\$438,462 for the nine-month period ended February 29, 2012). Furthermore, as at July 20, 2012, 1,250,000 stock options, at a price of \$0.10 for a period of 5 years, were awarded to key management and represent a stock-based compensation cost of \$35,000 (\$33,465 for the nine-month period ended February 29, 2012).

b) Related party transactions

No related party transactions occurred during the nine-month period ended February 28, 2013. During the nine-month period ended February 29, 2012 the Company paid professional fees totaling \$64,890 to one company owned by a shareholder and officer. Accounts payable include an amount of \$7,210 for the nine-month period ended February 29, 2012.

Related party transactions terms and conditions

The balances, as at the end of the period, are not guaranteed and bear no interest, as it is a cash settlement. No guaranties were given or received regarding receivables or payables between the related parties. For the nine-month period ended February 29, 2012, the Company did not record any depreciation as regards to outstanding related party receivables. 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.

OUTSTANDING SHARES, WARRANTS AND STOCK OPTIONS AS AT APRIL 19, 2013

Common shares	130,474,687
Warrants to agents and investors	10,000,000
Stock options in accordance with the stock option plan	12,765,000

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Financial Instruments

In October 2010, the International Accounting Standards Board "IASB" issued IFRS 9, "Financial Instruments", which represents the completion of the first part of a three-part project to replace IAS 39, "Financial Instruments: Recognition and Measurement", with a new standard. Per recent updates to IFRS 9, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive income, rather than within profit or loss.





Thus, to determine whether a financial asset is measured at amortized cost or fair value, IFRS 9 uses a single approach that replaces the multiple rules in IAS 39. The recommended approach in IFRS 9 is based on how an entity manages its financial instruments and the characteristics of the contractual cash flows of financial assets.

This standard will be effective for fiscal years beginning on or after January 1, 2015. Earlier application is permitted. The Company intends to adopt this new standard as its effective date. The Company has not yet assessed the potential impact of these new guidelines on its consolidated financial statements.

Reporting entity

In May 2011, the IASB issued a group of five new standards that address the scope of the reporting entity: IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interests in other entities", IAS 27 "Separate financial statements" and IAS 28 "Investments in associates".

Consolidation - IFRS 10 replaces all previous provisions related to control and consolidation stated in IAS 27 "Separate Financial Statements" and SIC-12 "Consolidation - Special Purpose Entities". IFRS 10 amends the definition of control and provides a single definition of the concept of control, which is characterized by the holding power of the entity, the exposure or the rights to variable returns of the entity. Power means the ability to manage the activities in a way that could significantly affect returns. Returns must vary and can be positive or negative, or both. The revised IAS 27 is a standard relating solely to the separate financial statements and its provisions are unchanged.

Joint arrangements - IFRS 11 amends the definition of a joint agreement so that it includes only two types of agreements: joint activities and joint ventures. Under this standard, the proportionate consolidation method is no longer permitted to account for jointly controlled entities, and the use of the equity method is mandatory for all participants in a joint venture. The entities involved in joint activities will use an accounting method very similar to the one that currently applies to jointly controlled assets and jointly controlled activities.

Disclosures of interests in other entities - IFRS 12 establishes requirements for disclosure applicable to entities subject to the provisions of IFRS 10 and IFRS 11, thereby replacing the requirements information set out in IAS 28. Under IFRS 12, entities should provide information that helps users of financial statements to evaluate the nature, risks and financial effects of the entity interests in subsidiaries, associated companies, joint agreements and unconsolidated structured entities.

These standards are required to be applied for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted. To date, the Company has estimated that IFRS 10, 11 and 12 standards will not have any significant impact on its financial statements.

Fair value measurement

In May 2011, the IASB issued IFRS 13 "Fair value measurement". This standard will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 will be effective for fiscal years beginning on or after January 1, 2013, with earlier application permitted. The Company intends to adopt this new standard as its effective date. The Company has not yet assessed the potential impact of these new guidelines on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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



financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

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

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

Estimated useful life

The management assesses fixed assets in line with the assets useful life. The amount and the related fixed assets amortization timetable for a given period are influenced by their 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.

Intangible assets

The values associated with identifiable intangible assets with finite useful live are determined by applying significant estimates and assumptions.

Valuations performed in connection with post-acquisition assessments of impairment of identifiable intangible assets are based on estimates that include risk-adjusted future cash flows. Projected cash flows are based on business forecasts, trends and expectations and are therefore inherently judgmental. 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.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements 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 going concern is outlined in note 2 of interim consolidated financial statements as at February 28, 2013.





CONVERTIBLE DEBENTURE

On September 30, 2011, the Company has issued a secured convertible debenture for a principal amount of \$1,500,000, such convertible debenture being convertible at the sole option of the holders thereof into common shares of the share capital of the Company on the basis of one common share for each \$0.15 in principal amount of convertible debenture. Furthermore, 10,000,000 common shares purchase warrants were issued. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.15 per share for 24 months following the closing date. The convertible debenture matures 24 months from the date of issuance or such earlier date which may be provided for as a redemption feature. Subject to certain conditions, the Company may redeem all or any portion of the convertible debenture upon 30 days written notice to the holders thereof in which case such holders may exercise their conversion rights, in whole or in part, prior to the intended date of redemption. The convertible debenture bears a nominal interest rate of 15% per annum and matures in September 2013. The convertible debenture is secured by a movable hypothec on the assets of the Company and a promissory note.

The net proceeds from the issuance of the convertible debenture has been separated into a liability component and an equity component, representing the residual amount attributable to the conversion option of the liability into equity of the Company as shown in the following table:

Proceeds from issuance	\$ 1,500,000
Fair value of the liability component, at the date of issue, for a similar instrument that does not have an equity conversion	\$ (1,425,797)
Fair value of the equity component	\$ 74,203

Issuance costs were proportionally allocated to the liability and the equity components. The \$1,262,140 liability component, net from the \$163,657 issuance costs, is measured at amortized cost, using 25.35% effective interest method. The \$65,686 equity component, net of the \$8,517 issuance costs, is shown as equity component of convertible debenture into equity.

Interest expenses on this loan are calculated by applying an effective interest rate of 25.35%. The liability component is measured at amortized cost. The difference between the carrying value of the \$1,262,140 liability component, at the date of issuance and the \$1,418,048 (\$1,329,028 as at May 31, 2012) amount presented in the consolidated statement of financial position, as at February 28, 2013, reflects the effective interest rate, less interest paid as of that date.

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 23, 2012. Under the plan terms, the exercise price of the options will be determined by the Directors of the Company subject to other restrictions described in the plan and some requirements of the TSX Venture Exchange. The maximum period for which an option can be exercised is limited to five years and the exercise price must be paid in full before the issuance of the shares.

Transaction during the period ended February 28, 2013

In July 2012, the Company granted 3,830,000 stock options allowing their holders to acquire 3,830,000 common shares, at an exercise price of \$0.10 per share, for a period of five years.

The fair value of the stock options awarded during the nine-month period ended February 28, 2013 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:





February 28, 2013

Date	July 20, 2012
Quantity	3,830,000
Stock price	\$0.045
Dividend yield	Nil
Expected volatility	100%
Risk-free interest rate	1.15%
Expected life	60 months

The stock-based compensation expense amounts to \$107,240 for the nine-month period ended February 28, 2013.

RISKS AND UNCERTAINTIES

The Company, through its financial instruments, is exposed to various risks without being exposed to risk concentrations. The Company is primarily exposed to credit risk, interest rate risk, market risk, liquidity risk and key personnel risk.

a) Risks associated with financial instruments

Credit risk management

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 reflects a provision for doubtful debts. No qualitative assessment has been made, management has assessed the credit risk was not significant.

Interest rate risk management

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 has no debt bearing interest at variable rates. 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 and its convertible debenture.

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 the ZRx Prescriber, PraxisLab and the e-Pic Communication Network.



**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.

Key personnel risk

Recruiting and retaining qualified personnel is essential to the Company's success. The Company 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 personnel in departments like; administration, research and development, as well as marketing will be required. Although the Company believe that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

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.

