ZOOMMED

Interim Consolidated Financial Report for the period ended February 28, 2014

A health care professional's communication network for the benefit of patients

INTERIM CONSOLIDATED FINANCIAL REPORT
AS AT FEBRUARY 28, 2014 AND 2013

To the shareholders of
ZOOMMED INC.

MANAGEMENT COMMENTS

The interim consolidated financial report of ZoomMed Inc. for the periods ended February 28, 2014 and 2013 and all information contained in this interim consolidated financial report is the responsibility of the management and has been approved by the Board of Directors.

The consolidated interim financial report was prepared by the management in accordance with International Financial Reporting Standards ("IFRS") and is 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 their audit are discussed as well. The Audit Committee also reviews the financial statements and the independent auditors' report and recommends their approval by the Board of Directors.

The interim consolidated financial report for the nine-month periods ended February 28, 2014 and 2013, has not been reviewed or audited by independent auditors.

April 11, 2014

(Signed) Yves Marmet

Yves Marmet,
President & Chief Executive Officer

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)
AS AT FEBRUARY 28, 2014 AND MAY 31, 2013

	February 28, 2014 (unaudited)	May 31, 2013 (audited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	371,631	365,824
Receivables (Note 6)	674,597	1,384,406
Prepaid expenses	20,524	27,964
	1,066,752	1,778,194
Non-current assets		
Fixed assets (Note 7)	45,961	91,372
Intangible assets (Note 8)	2,939,568	3,025,163
Interest in joint venture (Note 9)	27,690	438,045
Total assets	4,079,971	5,332,774
LIABILITIES		
Current liabilities		
Payables (Note 10)	1,056,573	683,799
Deferred revenue	590,576	1,033,110
Short-term debt (Note 11)	2,134,338	1,452,178
	3,781,487	3,169,087
Non-current liabilities		
Lease inducement	3,870	4,699
Total liabilities	3,785,357	3,173,786
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	25,693,949	25,438,120
Equity component of convertible debenture (Note 11 c))	-	65,686
Contributed surplus	6,568,175	6,502,489
Deficit	(31,967,510)	(29,847,307)
Total equity	294,614	2,158,988
Total liabilities and equity	4,079,971	5,332,774

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Yves Marmet, Chairman of the Board and Chief Executive Officer

(Signed) Marie-Hélène Pinard, Director and Chief Financial Officer

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
FOR THE NINE-MONTH PERIODS ENDED FEBRUARY 28, 2014 AND 2013

	Share capital	Equity component of convertible debenture	Warrants	Contributed surplus	Deficit	Total
	$	$	$	$	$	$
Balance as at June 1, 2013	25,438,120	65,686	-	6,502,489	(29,847,307)	2,158,988
Net loss	-	-	-	-	(2,120,203)	(2,120,203)
Repayment of the convertible debenture	-	(65,686)	-	65,686	-	-
Issuance of shares	255,829	-	-	-	-	255,829
Balance as at February 28, 2014	25,693,949	-	-	6,568,175	(31,967,510)	294,614
Balance as at June 1, 2012	25,438,120	65,686	768,676	5,580,613	(31,271,308)	581,787
Net loss	-	-	-	-	(278,247)	(278,247)
Fair value of stock options granted	-	-	-	107,240	-	107,240
Expired warrants	-	-	(624,082)	624,082	-	-
Balance as at February 28, 2013	25,438,120	65,686	144,594	6,311,935	(31,549,555)	410,780

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED FEBRUARY 28, 2014 AND 2013

	February 28, 2014 (3 months) (unaudited)	February 28, 2013 (3 months) (unaudited)	February 28, 2014 (9 months) (unaudited)	February 28, 2013 (9 months) (unaudited)
	$	$	$	$
REVENUE	545,815	1,055,584	2,138,812	3,378,985
OPERATING EXPENSES (Note 12)				
Selling expenses	124,426	194,907	541,805	566,419
Administrative expenses	252,721	343,266	913,192	1,046,455
General operating expenses	136,302	227,838	474,970	655,326
Development cost	313,081	446,839	1,360,879	1,117,622
Financial expenses	214,435	94,732	557,814	271,410
	1,040,965	1,307,582	3,848,660	3,657,232
LOSS BEFORE PROPORTIONATE SHARE IN JOINT VENTURE	(495,150)	(251,998)	(1,709,848)	(278,247)
Proportionate share of the investee's net results (Note 9)	(83,377)	-	(410,355)	-
LOSS BEFORE INCOME TAXES	(578,527)	(251,998)	(2,120,203)	(278,247)
INCOME TAXES	-	-	-	-
NET LOSS AND COMPREHENSIVE INCOME	(578,527)	(251,998)	(2,120,203)	(278,247)
BASIC AND DILUTED NET EARNING PER SHARE	(0.004)	(0.002)	(0.016)	(0.002)
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARE	133,184,975	130,474,687	131,398,008	130,474,687

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED FEBRUARY 28, 2014 AND 2013

	February 28, 2014 (3 months) (unaudited)	February 28, 2013 (3 months) (unaudited)	February 28, 2014 (9 months) (unaudited)	February 28, 2013 (9 months) (unaudited)
	$	$	$	$
OPERATING ACTIVITIES				
Net loss	(578,527)	(251,997)	(2,120,203)	(278,247)
Amortization	250,316	133,104	715,572	398,981
Interest on convertible debenture	111,076	31,393	225,430	89,020
Exchange rate variation	90,056	-	125,139	-
Deferred financing costs	(202,003)	-	(202,003)	-
Proportionate share of profit and loss in joint ventures (Note 9)	83,377	-	410,355	-
Stock-based compensation	-	-	-	107,240
Loss (gain) on disposal of fixed assets	1,059	433	(1,989)	(21,390)
Lease inducements	(276)	(276)	(829)	4,250
	(244,922)	(87,343)	(848,528)	299,854
Net change in non-cash operating working capital items	522,915	21,948	647,488	(1,103,658)
Cash flows used in operating activities	277,993	(65,395)	(201,040)	(803,804)
FINANCING ACTIVITIES				
Issued of shares	230,390	-	255,829	-
Net proceeds from the debenture	-	-	155,739	-
Short-term debt	69,336	-	377,856	-
Cash flows used in financing activities	299,726	-	789,424	-
INVESTING ACTIVITIES				
Acquisition of fixed assets	(1,371)	(8,822)	(13,396)	(17,479)
Proceeds from disposal of fixed assets	(395)	(322)	3,001	22,309
Acquisition of intangible assets	(343,641)	(84,080)	(572,182)	(291,473)
Cash flows used in investing activities	(345,407)	(93,224)	(582,577)	(286,643)
NET CHANGE IN CASH AND CASH EQUIVALENTS	232,312	(158,619)	5,807	(1,090,447)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,319	532,886	365,824	1,464,714
CASH AND CASH EQUIVALENTS, END OF YEAR	371,631	374,267	371,631	374,267

Cash flows used in operating activities includes interest expenses of $195,921 for the nine-month period ended February 28, 2014 and $94,630 for the three-month period ended February 28, 2014. Cash flow used in operating activities includes interest expenses of $168,750 for the nine-month period ended February 28, 2013 and $56,250 for the three-month period ended February 28, 2013.

1. GENERAL INFORMATION

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 on their computer, tablet or smartphone. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR).

ZoomMed’s 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, private insurers, laboratories, specialized clinics and others. This network includes among others, the "ZRx Access" platform that allows bidirectional exchange of prescription information between physicians and pharmacists, as well as "ZRx benefits" for the transmission of certain insurance plans information from insurance companies, in order to inform physicians about their patient’s type of coverage when they write the prescription.

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 Company holds 50% of the voting and participating shares in the American joint venture EvEMR Inc., which commercializes, throughout North America, an Electronic Medical Record (EMR) designed for all behavioural health providers. In addition, the company holds 50% of the voting and participating shares in EvEMR International joint venture, which was established for the distribution of these products worldwide.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND ADOPTION OF IFRS

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”).

These interim consolidated financial statements have been approved by the Board of Directors on April 11, 2014.

These interim consolidated financial statements have been prepared in accordance with a going concern. Under the going concern assumption, a Company is viewed as being able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations.

The continuation and growth of the Company’s activities depend on its ability to gain profitability and to obtain additional financing or cash provided by operations. These funds will come from share issue, either from public or private placement or strategic alliances, or other financing sources. At this stage, it is impossible to predict if those elements will materialize.

The interim consolidated financial statements do not reflect adjustments that should be made to the book value of assets and liabilities in the case where the Company would be unable to realize its assets and discharge its liabilities in the normal course of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

These interim consolidated financial statements have been prepared under the historical cost convention, except for other measurement bases, as indicated in the related notes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Consolidation

The interim consolidated financial statements include the accounts of ZoomMed Inc. and its subsidiaries ZoomMed Médical Inc., Praxis Santé Inc., 9205-1051 Québec Inc. and ZoomMed USA Inc.

Revenue recognition

In general, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities.

Revenue derived from annual contracts, related to ZoomMed's communication network, is recognized using the straight-line method over the duration of the agreements. As provided in these contracts, payments received in advance are recorded as deferred revenue in the consolidated statements of financial position, and then, as operating revenue as the service is rendered.

Licensing revenue is recognized when the contract is signed.

Interest revenue is recorded on a fiscal year basis according to the effective interest rate method.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Their classification depends on the purpose which the financial instruments were acquired or issued, their characteristics and their designation by the Company. Settlement date accounting is used.

All financial assets, except those designated at fair value through profit or loss, are subject to an annual impairment test and written down when there is an indication of impairment. The impairment loss is the excess of the carrying value over fair value and is recorded in the consolidated statements of comprehensive income.

The classification and measurement of the Company's financial instruments are determined as follows:

Financial assets at fair value through net results – All instruments included in this category meet the definition of financial assets held for trading. Financial instruments held for trading are instruments that are held for the purpose of selling in the short-term. Instruments in this category include cash and cash equivalents. They are measured initially and subsequently at fair value and changes in fair value are recognized in the consolidated statements of comprehensive income in financial income or financial expenses in the period in which they occur. The directly attributable transaction costs are recognized in comprehensive income.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes accounts receivable in this category. Financial instruments included in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

Other liabilities - Financial instruments included in this category are initially recognized at fair value and transaction costs are deducted from the fair value. Subsequently, other liabilities are measured at amortized cost. The Company includes accounts payable, as well as the liability component of debts, in this category.

Compound instruments - The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debenture using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, short-term liquid investments with maturities of less than three months and bank overdrafts, if any, which are classified as a category at fair value through profit or loss.

Interest in joint ventures

The Company has joint control of separate entities when it is entitled to participate to the entities' financial and operating strategic decisions, which exists only when these decisions require the unanimous consent of the parties sharing control.

The Company recognizes its interest in jointly controlled entities using the equity method. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

On acquisition of the participating interest, any difference between the cost of the participating interest and the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities is accounted for as follows:

(a) Goodwill relating to the entity is included in the carrying amount of the participating interest.

(b) Any excess of the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Company's proportionate share of the entity's profit or loss in the period in which the participating interest is acquired.

The participating interest in the net income of the entities is recognized in the consolidated statements of comprehensive income. When the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate.

The unrealized gains and losses resulting from transactions between the Company and its jointly controlled entities are eliminated to the extent of the Company's interest in the joint ventures.

Fixed assets

Fixed assets are initially recorded at cost, including acquisition fees and all the preparation fees directly related to the asset before it can be used, less related research and development investment tax credits. Subsequent to the initial measurement, fixed assets are recorded at cost, less accumulated amortization and depreciation.

Amortization is recognized on a straight-line basis, in line with the assets useful life, as follows:

	Method	**Periods**
Furniture	Straight-line	5 years
Computer equipment	Straight-line	3 years
Computer equipment for ZRx Prescriber	Straight-line	3 years
Leasehold improvements	Straight-line	5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Company allocates the amount initially recognized in respect of a fixed asset to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful life of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of comprehensive income.

Intangible assets

The Company's intangible assets include Website, intellectual properties, licenses and rights, development costs and software with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the consolidated statements of comprehensive income over the period of their expected useful life as follows:

	Periods
Website	3 years
Software	2 years
Intellectual properties	10 years
Licenses and rights	3 years
Development costs	3 years

Expenses related to development activities which do not meet generally accepted criteria for deferral and research activities are expensed as incurred. Development expenses which meet generally accepted criteria for deferral are capitalized and amortized against income over the estimated period of benefit.

The ZRx Prescriber intellectual property is recorded at cost 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 is amortized over a ten-year period from the date of acquisition.

The ZRx Prescriber development costs, which include the development of ZoomMed's communication 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 and 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.

Research and development tax credits

The Company is entitled to scientific research and development tax credits. Tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures in the period in which those expenses are incurred, provided there is reasonable assurance that the credits will be realized.

Impairment of long-term assets non-financial

Non-current assets with indefinite useful lives are not amortized and are tested for impairment annually. Non-current assets with a finite useful life are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is required to asses at each reporting date whether there is any indication that an asset may be impaired. Where such an indication exists, the asset's recoverable amount is compared to its carrying value and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units ("CGU"). In determining value in use of a given asset or CGU, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Non-current assets with finite useful life that suffered impairment are reviewed for possible reversal of the impairment if there has been a change, since the date of the most recent impairment test, in the estimates used to determine the impaired asset's recoverable amount. However, an asset's carrying amount, increased due to the reversal of a prior impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had the original impairment not occurred.

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.

Operating Leases

Leases under which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments under an operating lease (less benefit received from the lessor) are recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Shareholders' equity

Common shares are classified as equity and are recorded in the Shareholders' Equity at their issuance value. Incremental costs directly attributable to the issuance of shares and stock options are shown in equity as a deduction (as a deficit increase) net of tax from the proceeds. Transactions with shareholders are shown separately in equity.

Income taxes

Income taxes are accounted for, by the Company, based on the consolidated statements of financial position method. Accordingly, future income tax assets and income tax liabilities are measured using the income tax rates that are most likely to apply during the fiscal year where the asset is realized or the liability is settled, based on the income tax rates (and tax regulations) adopted or nearly adopted as at the reporting date. As appropriate, a valuation allowance is recognized to decrease the value of future tax assets to an amount that is more likely than not to be realized.

Employee's benefits

Wages, contributions to government pension plans, paid vacations and sick leaves, bonuses and non-monetary benefits are short-term benefits and are recognized over the period during which the employees of the Company have rendered the related services.

Stock-based compensation

The Company offers a stock-based compensation plan. The Company uses the fair value based method of accounting as regards to stock options granted to its Officers, Directors, Employees and Consultants. The fair value of stock options is determined using the Black-Scholes option pricing model, and the stock-based compensation costs are recorded in the consolidated statements of comprehensive income at the granted date and credited to contributed surplus.

Any consideration received by the Company in connection with the exercise of stock options is credited to share capital and contributed surplus component of the stock-based compensation is transferred to share capital upon the issuance of shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Accounts denominated in foreign currencies

Presentation currency and foreign currency operations – The Canadian dollars is the Company's presentation currency, which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency environment in which the entity operates using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the closing date are converted into functional currencies at the exchange rates prevailing at the same date. All resulting changes are recognized in the profit or loss, except monetary items included into foreign institution net investment.

Foreign institutions - Foreign intuitions' assets and liabilities denominated in functional currencies other than Canadian dollars are converted into Canadian dollars using the exchange rates prevailing at the closing date. Foreign institution revenue and expenses are converted into Canadian dollars using the exchange rates prevailing at the date of the transaction. Shareholders equity is converted at the original effective rate prevailing at the closing date. All resulting changes are recognized in other comprehensive income until the net investment is disposed of, or reclassified in the profit or loss. Since the transition date, no such resulting change was recorded as foreign institutions conversion adjustments.

Basic and diluted net earnings per share

Basic and diluted net earnings per share are calculated using the weighted average number of outstanding common shares during the fiscal year. The Company uses the treasury stock method to determine the dilutive effects of stock options and warrants when cumulating diluted earnings per share. Accordingly, the calculation of diluted earnings per share is made using the treasury stock method, as if all potentially dilutive participating shares had been exercised at the later of the beginning of the period or the date of issuance, as the case may be, and that the funds obtained thereby had been used to purchase common shares of the Company at the average market value of the common shares during the period.

When funds are received, at the date of issuance of dilutive instruments, the net amount is adjusted net of tax expenses related to these instruments. For the nine-month period ended February 28, 2014 and 2013, the conversion of the debenture into common shares is anti-dilutive.

The diluted net earnings per share are equal to the basic net earnings per share because of the anti-dilutive effect of stock options and warrants when a loss is incurred, and/or that the stock options and warrants are issued at a price exceeding the average market price.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

Separate financial statements - The revision of IAS 27 removes the concepts, now contained in IFRS 10, to only retain in IAS 27, the concepts relating to individual financial statements.

Investments in associates and joint ventures - Modifications have been made to IAS 28 to incorporate changes resulting from the issuance of IFRS 10 and IFRS 11, including the fact that joint ventures must now always be accounted for using the equity method.

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.

4. 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 net results.

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 financial statements periods 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.

5. 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

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 life 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.

6. ACCOUNTS RECEIVABLE

	February 28, 2014	May 31, 2013
	$	$
Accounts receivable (1)	124,597	58,606
Accounts receivable – Joint venture (1)	-	925,800
Research and development tax credits (2)	550,000	400,000
	674,597	1,384,406

6. ACCOUNTS RECEIVABLE (CONT.)

(1) No impairment was required on accounts receivable as of February 28, 2014 and May 31, 2013.
(2) The exact amount will be known when Revenu Québec will process and approve the claim. Approved amount could differ from the recorded amount.

The company's net book value of accounts receivable is $124,597 ($984,406 as at May 31, 2013) at the closing date. The terms of these accounts receivable are detailed in the following table:

Breakdown of accounts receivable :

	February 28, 2014	May 31, 2013
	$	$
0 to 30 days	45,223	348,726
31 to 60 days	115	326,032
61 to 90 days	79,001	308,600
Over 90 days	258	1,048
	124,597	984,406

7. FIXED ASSETS

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2013	150,792	213,487	1,551,545	61,586	1,977,410
Acquisitions	-	3,704	9,692	-	13,396
Disposals	-	(3,158)	(43,914)	-	(47,072)
As at February 28, 2014	150,792	214,033	1,517,323	61,586	1,943,734
Accumulated amortization					
As at June 1, 2013	146,929	193,454	1,484,069	61,586	1,886,038
Amortization	1,126	9,392	47,277	-	57,795
Disposals	-	(3,137)	(42,923)	-	(46,060)
As at February 28, 2014	148,055	199,709	1,488,423	61,586	1,897,773
Net book value as at February 28, 2014	2,737	14,324	28,900	-	45,961

7. FIXED ASSETS (CONT.)

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2012	149,698	210,358	1,702,018	61,586	2,123,660
Acquisitions	1,094	9,847	13,091	-	24,032
Disposals	-	(6,718)	(163,564)	-	(170,282)
As at May 31, 2013	150,792	213,487	1,551,545	61,586	1,977,410
Accumulated amortization					
As at June 1, 2012	142,030	185,590	1,515,564	60,579	1,903,763
Amortization	4,899	16,530	128,948	1,007	151,384
Disposals	-	(8,665)	(160,444)	-	(169,109)
As at May 31, 2013	146,929	193,455	1,484,068	61,586	1,886,038
Net book value as at May 31, 2013	3,863	20,032	67,477	-	91,372

8. INTANGIBLE ASSETS

	Website	Software	Licenses and rights	Intellectual properties	Development costs [(1)]	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2013	26,200	4,322	175,000	3,417,736	3,084,683	6,707,941
Acquisitions	-	-	-	-	572,182	572,182
As at February 28, 2014	26,200	4,322	175,000	3,417,736	3,656,865	7,280,123
Accumulated Amortization						
As at June 1, 2013	26,200	4,322	175,000	1,726,913	1,750,344	3,682,779
Amortization	-	-	-	256,330	401,446	657,776
As at February 28, 2014	26,200	4,322	175,000	1,983,243	2,151,790	4,340,555
Net book value as at February 28, 2014	-	-	-	1,434,493	1,505,075	2,939,568

	Website	Software	Licenses and rights	Intellectual properties	Development costs [(1)]	Total
	$	$	$	$	$	$
Cost						
As at May 31, 2012	26,200	4,322	175,000	3,417,736	2,693,893	6,317,151
Acquisitions	-	-	-	-	390,790	390,790
As at May 31, 2013	26,200	4,322	175,000	3,417,736	3,084,683	6,707,941
Accumulated Amortization						
As at May 31, 2012	26,200	4,322	175,000	1,385,139	1,700,541	3,291,202
Amortization	-	-	-	341,773	49,803	391,576
As at May 31, 2013	26,200	4,322	175,000	1,726,912	1,750,344	3,682,778
Net book value as at May 31, 2013	-	-	-	1,690,824	1,334,339	3,025,163

8. INTANGIBLE ASSETS (CONT.)

(1) Development costs totaling $3,656,865 include $193,069 related to development costs from business acquisitions, which still have a $144,802 net book value as at February 28, 2014 ($193,069 as at May 31, 2013).

9. INTEREST IN JOINT VENTURES

a) EvEMR Inc.

The Company holds 50% of the participating shares and 50% of the voting shares in the joint venture EvEMR Inc. The joint venture fiscal year is December 31.

The aggregate amount of current asset, non-current assets, current liabilities, non-current liabilities, products and expenses related to the participation in EvEMR are as follows:

	February 28, 2014	May 31, 2013
	$	$
Current assets	88,289	552,153
Non-current assets	1,975,935	2,529,925
Total assets	2,064,224	3,082,078
Current liabilities	52,228	494,236
Non-current liabilities	861,416	645,386
Total liabilities	913,644	1,139,622
Net assets	1,150,580	1,942,456
Proportionate share of unrealized gain on the sale of a license	(1,600,728)	(1,600,728)
Amortization of unrealized gain on the sale of a license	444,647	44,465
Goodwill	-	51,852
Proportionate share of net losses not recognised (1)	5,501	-
Interest in joint venture	-	438,045
Total revenue	42,205	-
Total expenses	(885,934)	(118,035)
Total income for the period	(843,729)	(118,035)
Proportionate share of unrealized gain on the sale of a license	-	(1,600,728)
Amortization of unrealized gain on the sale of a license	400,183	44,465
Proportionate share of net losses not recognised (1)	5,501	-
Proportionate share of the investee's net results	(438,045)	(1,674,298)

(1) The 50% interest in EvEMR inc. is zero as of February 28, 2014 ($438,045 as of May 31, 2013). The Company did not recognised additional proportionate share of net losses beyond its participation, to the extent that it has no obligation to cover these losses.

b) EvEMR International

The Company holds 50% of the equity shares and 50% of the voting shares in EvEMR International joint venture. The joint venture fiscal year is December 31.

9. INTEREST IN JOINT VENTURES (CONT.)

The aggregate amount of current assets, non-current assets, current liabilities, non-current liabilities products and expenses related to the participation in EvEMR International are as follows:

	February 28, 2014	May 31, 2013
	$	$
Current assets	51,203	56,952
Non-current assets	348,266	132,236
Total assets	399,469	189,188
Current liabilities	3,650	608
Non-current liabilities	368,129	188,580
Total Liabilities	371,779	189,188
Net assets	27,690	-
Interest in joint venture	27,690	-
Total revenue	38,033	4,365
Total expenses	(10,343)	(4,365)
Total income for the period	27,690	-
Proportionate share of the investee's net results	27,690	-

10. ACCOUNTS PAYABLE

	February 28, 2014	May 31, 2013
	$	$
Accounts payable and accrued liabilities	521,029	324,068
Wages and deductions at source	357,169	357,376
Sales tax	178,375	2,355
	1,056,573	683,799

11. SHORT-TERM AND LONG-TERM DEBTS

a) Debenture as of October 30, 2013

On October 30, 2013, issued a new secured debenture, for a principal amount not exceeding $2,000,000 USD (the "Loan"), which $1,664,318.92 USD were disbursed. The company repaid the existing convertible debenture in the amount of $1,500,000 CDN.

The new secured debenture is not convertible, bears a nominal interest rate of 17% per annum and matures in December 2014. The loan is payable in monthly installments of $ 60 000 USD, beginning on January 31, 2014.

On January 16, 2013, the Company issued as a bonus to the lender, 4,607,795 common shares of the Company at a deemed price of $0.05 each. This bonus of common shares has been subject to the approval of the TSX Venture Exchange in accordance with rule 5.1. The total bonus value, or $230,390, was recorded as financing costs in reduction of the debenture and is amortized over the term of the debenture.

11. SHORT-TERM AND LONG-TERM DEBTS (CONT.)

The Corporation has granted to the lender, as security for the payment and performance of the obligations under the credit agreement, a security interest in favor of the lender charging the universality of the Corporation's present and after-acquired movable property, corporeal and incorporeal.

Subject to certain conditions, the Company may redeem all or any portion of the convertible debenture upon 30 days written notice to the holders.

b) Investissement Québec financing

On October 31, 2013, the Company entered into a research and development tax credits financing offer with Investissement Québec.

The funding is allocated as follows: an amount of $308,520 for the 2013 fiscal year and $69,336 for the fiscal year ending May 31, 2014.

The loan bears interest at prime rate plus 3%, for the disbursed portions, and is secured by a first-ranking movable hypothec in the amount of $395,190 and an additional hypothec of $79,038 for a total of $474,338.

The amount of $308,520 is redeemable in full upon receipt of the tax credits, which is estimated at $400,000 for the fiscal year ended May 31, 2013 and the amount of $69,336 is redeemable in full upon receipt of the tax credits for fiscal year ending May 31, 2014.

c) Convertible debenture as at May 31, 2013

On September 30, 2011, the Company has issued a secured convertible debenture for a nominal 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 $1,452,1728 as at May 31, 2013 amount presented in the consolidated statement of financial position, as at May 31, 2013, reflects the effective interest rate, less interest paid as of that date. This debenture was reimbursed in October 2013.

12. INFORMATION ON OPERATING EXPENSES

	February 28, 2014 (3 months)	February 28, 2013 (3 months)	February 28, 2014 (9 months)	February 28, 2013 (9 months)
	$	$	$	$
a) Selling expenses :				
Selling expenses	34,318	68,460	185,610	209,231
Salaries and benefits	89,127	125,343	354,192	354,084
Amortization of tangible assets	981	1,104	2,003	3,104
	124,426	194,907	541,805	566,419
b) Administrative expenses :				
Administrative expenses	193,551	180,361	593,195	509,179
Stock-based compensation	-	-	-	107,240
Salaries and benefits	57,353	160,702	315,487	422,626
Amortization of tangible assets	1,817	2,203	4,510	7,410
	252,721	343,266	913,192	1,046,455
c) General operating expenses :				
Operating expenses	26,409	19,271	56,367	59,433
Salaries and benefits	91,732	175,148	369,323	496,338
Amortization of tangible assets	18,161	33,419	49,280	99,555
	136,302	227,838	474,970	655,326
d) Development cost :				
Development cost	13,522	87,064	51,825	162,532
Salaries and benefits	70,200	263,396	649,274	666,178
Amortization of tangible assets	981	1,104	2,003	3,104
Amortization of intangible assets	228,378	95,275	657,777	285,808
	313,081	446,839	1,360,879	1,117,622
e) Financial expenses :				
Interest and bank charges	41,892	6,564	164,267	11,488
Interest on debts	81,671	87,642	249,533	257,770
Exchange rate variation	90,872	526	144,014	2,152
	214,435	94,732	557,814	271,410

13. COMMITMENTS

As at February 28, 2014, the balance of commitments under operating leases amounts to $412,431.

Minimum lease payments for each of the next four 12 month periods are as follows:

	2014	2015	2016	2017
	$	$	$	$
Leasehold – Head Office	124,815	21,015	-	-
Leasehold – Toronto	65,242	66,278	67,315	33,657
Multi-function printers	10,495	10,495	10,495	2,624
	200,552	97,788	77,810	36,281

14. SHARE CAPITAL

a) Authorized

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

b) Declared

	February 28, 2014	May 31, 2013
	$	$
135,591,268 common shares (130,474,687 as at May 31, 2013)	25,693,949	25,438,120

c) Transaction during the period ended February 28, 2014

On November 14, 2013, the Company issued 508,786 common shares at a deemed price of $0.05 each as compensation for due diligence services for a total value of $25,439.

The Company issued on January 16, 2014, 4,607,795 common shares of its capital as a bonus to a lender, at a deemed price of $0.05 per share for a total value of $230,390.

d) Transaction during 2013

No transaction occurred during the fiscal year ended May 31, 2013.

e) Share capital reconciliation

	Number	Declared
		$
Balance as at June 1, 2013	130,474,687	25,438,120
	-	-
Balance as at May 31, 2013	130,474,687	25,438,120
Issuance of shares as compensation for services	508,786	25,439
Issuance of shares as a bonus to a lender	4,607,795	230,390
Balance as at February 28, 2014	135,591,268	25,693,949

15. 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, 2013. 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 nine-month period ended February 28, 2014 and the fiscal year ended May 31, 2013:

15. STOCK OPTION PLAN (CONT.)

	Options	Average exercise price
		$
Balance as at June 1, 2012	9,252,500	0.18
Awarded	3,830,000	0.10
Cancelled	(245,000)	0.18
Balance as at May 31, 2013	12,837,500	0.15
Cancelled	(3,595,000)	0.18
Balance as at February 28, 2014	9,242,500	0.15

The following table summarizes the information about the outstanding stock options for the nine-month period ended February 28, 2013 and the fiscal year ended May 31, 2013.

a) As at February 28, 2014

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
100,000	6	0.32	0.14	100,000	0.32
1,990,000	22	0.20	0.12	1,990,000	0.20
17,500	22	0.20	0.12	17,500	0.20
3,900,000	33	0.15	0.05	3,900,000	0.15
3,235,000	41	0.10	0.04	3,235,000	0.10
9,242,500	33	0.15	0.06	9,242,500	0.15

Transaction during the period ended February 28, 2014

No transaction occurred during the nine-month period ended February 28, 2014.

b) As at May 31, 2013

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
2,140,000	5	0.20	0.10	2,140,000	0.20
100,000	15	0.32	0.14	100,000	0.32
2,322,500	31	0.20	0.12	2,322,500	0.20
35,000	31	0.20	0.12	35,000	0.20
4,410,000	42	0.15	0.05	4,410,000	0.15
3,830,000	50	0.10	0.04	3,830,000	0.10
12,837,500	36	0.15	0.07	12,837,500	0.15

15. STOCK OPTION PLAN (CONT.)

Transaction during 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 fiscal year ended May 31, 2013 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

Date	July 20, 2012
Quantity	3,830,000
Stock price	$0.045
Dividend yield	Nil
Expected volatility	158%
Risk-free interest rate	1.15%
Expected life	60 months

The stock-based compensation expense amounts to $153,200 for the fiscal year ended May 31, 2013.

16. WARRANTS

The following table summarizes the changes in the plan position for the nine-month period ended February 28, 2014 and the fiscal year ended May 31, 2013.

	Warrants	Weighted average Exercise price	Value
		$	$
Balance as at June 1, 2012	18,711,768	0.16	768,676
Warrants expired	(8,711,768)	0.17	(768,676)
Balance as at May 31, 2013	10,000,000	0.15	-
Warrants expired	(10,000,000)	-	-
Balance as at February 28, 2014	-	-	-

a) Transaction during the period ended February 28, 2014

On September 30, 2013, 10,000,000 common shares purchase warrants, associated with the convertible debenture, with an exercise price of $0.15 each, have expired. These warrants were cancelled.

b) Transactions during 2013

On February 8, 2013, 6,941,961 warrants, with an exercise price of $0.17 each, have expired. These warrants were cancelled and the total carrying value, which was $624,082, was transferred to the contributed surplus.

On March 28, 2013, 1,769,807 warrants, with an exercise price of $0.17 each, have expired. These warrants were cancelled and the total carrying value, which was $144,594, was transferred to the contributed surplus.

16. WARRANTS (CONT.)

The following table summarizes the information about the outstanding warrants owned by public investors and agents as at May 31, 2013:

Outstanding warrants			
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value
		$	$
10,000,000	4	0.15	-

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

	February 28, 2014		**May 31, 2013**	
	Fair value	Carrying value	Fair value	Carrying value
	$	$	$	$
Financial assets				
Cash and cash equivalents	371,631	371,631	365,824	365,824
Loans receivables	124,597	124,597	984,406	984,406
Financial liabilities				
Other liabilities	392,939	392,939	139,251	139,251
Debts	2,134,338	2,134,338	1,486,096	1,452,178

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.

The Company categorizes its financial assets and liabilities measured at fair value using a hierarchy that consists of three levels, which reflects the significance of inputs used in their evaluation. The hierarchy of the fair value consists of the following levels:

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 February 28, 2014 and May 31, 2013, the only financial instruments measured at fair value in the consolidated statements of financial position consist of cash and cash equivalents and were all classified in level 1.

18. 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.

18. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONT.)

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

Currency risk management

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 February 28, 2014, the Company has the following balance in converted U.S. dollars: cash: $196 and convertible debenture: $1,756,482. As at May 31, 2013, the Company has the following balance in converted U.S. dollars: cash: $290,603 and accounts receivable: $925,800.

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 ZoomMed’s 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.

18. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONT.)

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.

19. CAPITAL DISCLOSURES

In regards to capital management, the Company'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 the ZRx Prescriber, PraxisLab and ZoomMed's communication network, the protection of its assets, while maximizing the shareholders return on investment. The Company is not subject to any externally imposed capital requirements. The Company has several options regarding its capital needs. See Note 18 for more details.

The Company defines its capital as the sum of its shareholders equity and convertible debenture. The shareholders equity ($294,614 as at February 28, 2014 and $2,158,988 as at May 31, 2013) includes share capital, equity component of convertible debenture, warrants, contributed surplus and deficit. Debenture accounts for $1,756,482 as at February 28, 2014 and $1,452,178 as at May 31, 2013. The $1,560,070 equity decrease during the nine-month period ended February 28, 2014 is due to the deficit of the period.

20. RELATED PARTY TRANSACTIONS

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 and fees, for the nine-month period ended February 28, 2014 totalized $304,000 ($361,538 for the nine-month period ended February 28, 2013). Furthermore, as at July 20, 2012, 1,350,000 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 $54,000.

b) 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 nine-month period ended February 28, 2014, an amount of $47,068 ($6,461 for the nine-month period ended February 28, 2013) was paid to the law firm.

During the nine-month period ended February 28, 2014, the Company has not charged any amount to a joint venture. During the nine-month period ended February 28, 2013, the Company has charged a $1,110,312 software development fees to a joint venture. For the nine-month periods ended February 28, 2014 and 2013, there was no outstanding amount.

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 periods ended February 28, 2014 and 2013, 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.

21. SEGMENT REPORTING

The Company is organized into two primary segments which are geographic areas; Canada and the United-States.

Information about major customers

Revenue from ordinary activities resulting from transactions with three clients exceeded more than 10% of the total revenue. These three clients respectively accounted for $423,129, $520,642 and $750,000 of the Company's total revenue for the nine-month period ended February 28, 2014. For the nine-month period ended February 28, 2013, revenue from ordinary activities resulting from transactions with three clients exceeded more than 10% of the total revenue. These three clients respectively accounted for $584,198, $648,624 and $1,110,312 of the Company's total revenue.

For the nine-month period ended February 28, 2014, revenue from ordinary activities from multiple clients of the Company's Canadian segment, represents $2,138,812 or 100%. For the nine-month period ended February 28, 2013, revenue from ordinary activities from multiple clients of the Company's Canadian segment, represents $2,268,673 or 67%.

Information about revenue

Revenue from external customers, as previously described, comes from the sale of a prescriber's license, Pharmaceutical contracts and development contracts.

They can be analyzed according to the following groups:

February 28, 2014	Canada	United-States	Total
Revenue			
Operating revenue	2,138,812	-	2,138,812

February 28, 2013	Canada	United-States	Total
Revenue			
Operating revenue	2,268,673	1,110,312	3,378,985