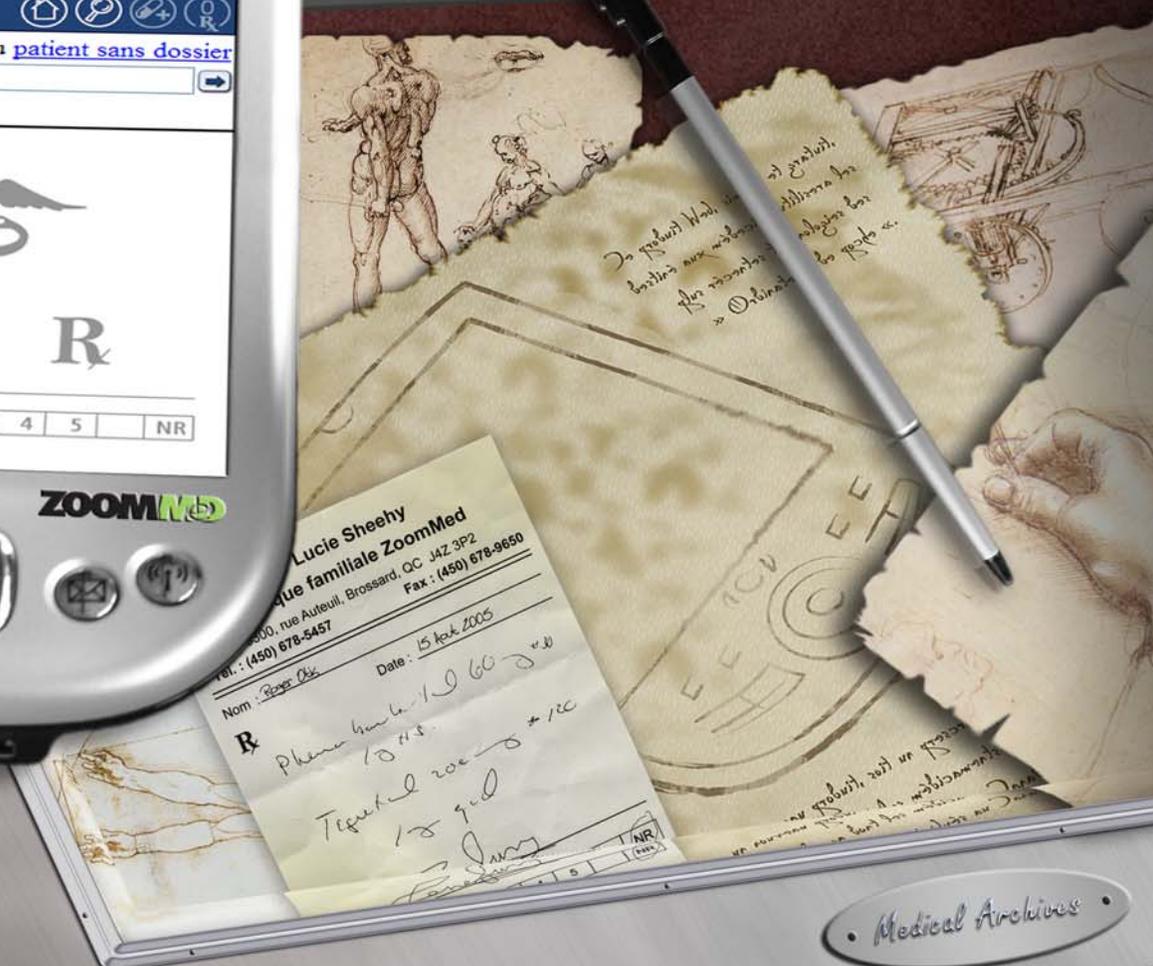


# ZOOM<sup>MD</sup>



Medical Archives



Today's **TECHNOLOGICAL AND MEDICAL REALITY.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of results of operations, financial position and cash flows must be read in conjunction with ZoomMed inc. consolidated financial statements as at November 30, 2005 and 2006, and ZoomMed Inc. audited consolidated financial statements and accompanying notes as at May 31, 2006. Management prepared this report taking into account all available information as at January 25, 2007.

All financial information contained in this analysis and the financial statements have been prepared in accordance with the Canadian generally accepted accounting principles (GAAP). Unless otherwise indicated, all amounts are in Canadian dollars.

This management report may contain information and declarations on the future performance of ZoomMed Inc. that are by nature forward-looking. These declarations reflect the Management's expectations regarding future events based on assumptions and uncertainties. Readers are hereby cautioned that actual results may differ from expectations.

This management report was submitted to the Audit Committee and approved by the Board of Directors of ZoomMed Inc.

## BUSINESS DESCRIPTION

Established in February 2005, ZoomMed Inc. was classified as a Capital Pool Company until July 27, 2005, as ZoomMed Inc. completed its qualifying transaction with the shareholders of 9103-8240 Québec Inc.

In October 2006, ZoomMed presented its first complete annual report, covering a full business year since its incorporation. ZoomMed's first operating year focused on the development of a new product, the **ZRx Prescriber**, an electronic system that simplifies and radically improves the way prescription drugs are prescribed in Canada.

ZoomMed is committed to two business missions: 1) developing and marketing the **ZRx Prescriber**, an innovative product for physicians; and 2) providing paramedical equipment to healthcare agencies and the general public and expanding its "ZOOMCITY" franchise concept.

## REVIEW OF THE PERIOD ENDED NOVEMBER 30, 2006

It is important to take note that the expenses as at November 30, 2006 are essentially tied to the development, the setup and the marketing of the *ZRx Prescriber*, which has not yet generated revenues for the period.

In accordance with the commitments outlined in our 2005 Annual Report, the *ZRx Prescriber* was designed and developed within the established timeframe. As outlined in the general timetable, ZoomMed set up an initial pilot site on June 1<sup>st</sup>, 2006 at the *Clinique familiale de Saint-Hyacinthe* in Quebec, allowing physicians to generate electronic prescription information to be processed by various area pharmacists. In August 2006, a second pilot site was set up in Montreal.

On the strength of these positive results, we began launching and marketing the *ZRx Prescriber* in September 2006.

As at January 25, 2007, more than 345 physicians working in 28 medical clinics have signed agreements regarding the use of the *ZRx Prescriber*. By the end of the year, the *ZRx Prescriber* will be contributing to our revenues.

## OPERATING RESULTS

For the three-month and six-month periods ended November 20, 2006 and 2005

Selected (three month period) information	ZoomMed inc. As at November 30, 2006	ZoomMed inc. As at November 30, 2005
Revenues	\$ 169,601	\$ 204,023
Gross margin	80,848	92,933
Administrative expenses	361,014	290,176
Operating expenses	88,247	9,044
Sales expenses	311,734	228,040
Net loss	(864,315)	(455,345)
Net loss per share	(0.017)	(0.015)
Weighted average outstanding shares	50,387,218	29,500,000

Selected (six month period) information	ZoomMed inc. As at November 30, 2006	ZoomMed inc. As at November 30, 2005
Revenues	\$ 362,368	\$ 367,729
Gross margin	182,162	200,751
Administrative expenses	703,394	843,426
Operating expenses	127,646	18,088
Sales expenses	528,046	403,107
Net loss	(1,386,286)	(1,099,290)
Net loss per share	(0.030)	(0.042)
Weighted average outstanding shares	46,487,355	25,937,500

For the three-month period ended November 30, 2006, total revenues were \$169,601 compared to \$204,023 for the corresponding period ended November 30, 2005. For the six-month period, total revenues were \$362,368 compared to \$367,729 for the corresponding six-month period ended November 30, 2005. The Corporation registered a gross margin of \$80,848 or 47.7% for the three month period ended November 30, 2006 compared to \$92,933 or 45.5% for the corresponding period ended November 30, 2005, and registered a gross margin of \$182,162 or 50.3% for the six-month period ended November 30, 2006 compared to \$200,751 or 54.6% for the corresponding period ended November 30, 2005. These revenues essentially come from sales of paramedical equipment and technical services on the Quebec private market.

ZoomMed registered \$361,014 in administration expenses for the three-month period ended November 30, 2006 compared to \$290,176 for the corresponding period ended November 30, 2005. The Corporation registered \$703,394 in administration expenses for the six-month period ended November 30, 2006 compared to \$843,426 for the corresponding period ended November 30, 2005. General administration expenses were stable, taking into account that during the period, the Company granted 1,232,500 options allowing its managers, directors and employees to purchase 1,232,500 common shares for \$0.20 per share. Non-recurrent payroll charge related to the stock option plan amounts to \$ 140,137 for the six-month period ended November 30, 2006, compared to a \$ 288,000 non-recurrent payroll charge accounted for, as at November 30, 2005.

Operating expenses for the three-month period ended November 30, 2006 totaled \$88,247 compared to \$9,044 for the corresponding period ended November 30, 2005. For the six-month period, total operating expenses were \$127,646 compared to \$18,088 for the corresponding six-month period ended November 30, 2005. This increase is directly related to the ZRx Prescriber set up and deployment which started in September 2006.

The Corporation incurred \$311,734 in sales expenses for the three-month period ended November 30, 2006 compared to \$228,040 for the corresponding period ended November 30, 2005. The Corporation registered \$528,046 in sales expenses for the six-month period ended November 30, 2006 compared to \$403,107 for the corresponding period ended November 30, 2005. The increase comes from salaries and expenses related to the addition of new personnel to the Prescriber ZRx marketing team.

The Corporation incurred a net loss of \$864,315 for the three-month period ended November 30, 2006 compared to \$455,345 for the corresponding period ended November 30, 2005. For the six-month period ended November 30, 2006, ZoomMed registered a net loss of \$1,386,286 compared to \$1,099,290 for the corresponding period ended November 30, 2005. It is important to take note that the expenses and the net loss as at November 30, 2006 are a result of the development, setup and marketing of the “*ZRx Prescriber*”, as previously mentioned.

ZoomMed registered a \$0.017 net loss per share for the three-month period ended November 30, 2006. The net loss per share was \$0.015 for the corresponding period of 2005. ZoomMed incurred a \$0.030 net loss per share for the six-month period ended November 30, 2006, compared to \$0.042 for the corresponding six-month period of 2005. The weighted average outstanding shares calculation does not include the stock option plan and warrants (see the November 30, 2006 Interim Financial Report: Note 12 and 13.)

## FINANCIAL POSITION

Selected balance sheet information	ZoomMed inc. November 30, 2006	ZoomMed inc. November 30, 2005
Cash and cash equivalents	\$ 1,035,328	\$ 590,901
Working capital	804,026	461,925
Fixed assets	314,606	194,542
Intangible assets	2,935,934	2,942,501
Total assets	5,681,339	4,828,282
Long-term debt including short-term	197,872	277,968
Share capital and warrants	8,774,262	6,689,264
Shareholders equity	4,683,800	3,915,884

Cash and cash equivalents as at November 30, 2006 were \$1,035,328 compared to \$590,901 as at May 31, 2006. Working capital as at November 30, 2006 was \$804,026 compared to \$461,925 as at May 31, 2006. The Corporation total assets increased from \$4,828,282 as at May 31, 2006 to \$5,681,339 as at November 30, 2006. The Shareholders equity increased from \$3,915,884 as at May 31, 2006 to \$4,683,800 as at November 30, 2006. These increases essentially come from financing activities. On August 10, 2006, the Corporation completed a private placement for gross proceeds of \$2,000,000. In connection with this offering, 10,000,000 units were issued at \$0.20 per unit. Each unit is composed of one common share and one warrant. Each warrant allows its owner to buy one additional common share at a price of \$0.24 over the next three (3) years. The fair value of the warrants is \$ 200,000.

Fixed assets as at May 31, 2006 were at \$194,542 compared to \$314,606 as at November 30, 2006. The corporation acquired \$92,585 worth of computer equipments for the “*ZRx Prescriber*” deployment in physicians’ clinics.

Intangible assets for the period ended November 30, 2006 were stable at \$2,935,934 compared to \$2,942,501 as at May 31, 2006. The intangible assets are essentially composed of the *ZRx Prescriber* intellectual property acquired in the course of the reverse takeover.

Long-term debt (including short-term portion) decreased from \$277,968 as at May 31, 2006 to \$197,872 as at November 30, 2006. The Corporation did not incur any additional debt over the last 12 months.

As at November 30, 2006, 50,704,800 shares were issued and fully paid.

## CONSOLIDATED CASH FLOWS

Statement of consolidated cash flows (6 months)	ZoomMed inc. November 30, 2006	ZoomMed inc. November 30, 2005
Cash flows from (used for) operating activities	\$ (958 381)	\$ (654,245)
Cash flows from financing activities	1,965,571	1,238,005
Cash flows from (used for) investment activities	(562,763)	(481,454)
Cash and cash equivalents increase	444,427	102,306
Cash and cash equivalents, end of period	1,035,328	117,040

Cash and cash equivalents as at November 30, 2006 was \$1,035,328 compared to \$117,040 as at November 30, 2005. Cash flows used for operating and investment activities as at November 30, 2006 combined to cash flows generated by financing activities results in a \$444,427 cash and cash equivalents increase compared to a \$102,306 increase as at November 30, 2005.

Cash flows generated by financing activities comes from a private placement, closed on August 10, 2006, for a gross amount of \$2,000,000 and the issuance of 425,000 shares related to brokers' warrants exercised on November 6, 2006, for a gross amount of \$85,000

## DESCRIPTION OF SECURITIES

The corporation is allowed to issue an unlimited amount of Common Shares without nominal value. The holders of Common Shares are entitled to dividends as and when declared by the directors, to one vote per share for Common Shareholders of the Resulting Issuer, and, in the event of winding-up, to receive a portion of assets of the Corporation that may be distributed to holders of Common Shares.

## PRIOR SALES

Since its date of Incorporation, the Corporation has issued 50,704,800 common shares as follows:

Date	Number of Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration Received
March 7, 2005	3,000,000 <sup>(1)</sup>	\$ 0.10	\$ 300,000	Cash
May 18, 2005	8,500,000 <sup>(2)</sup>	\$ 0.20	\$ 1,700,000	Cash
July 27, 2005	18 000 000 <sup>(3)</sup>	\$ 0.25	\$ 4,500,000	Shares
March 21 2006	10 779 800 <sup>(4)</sup>	\$ 0.20	\$ 2,155,960	Cash
August 10, 2006	10,000,000 <sup>(5)</sup>	\$ 0.20	\$ 2,000,000	Cash
November 6, 2006	425,000 <sup>(6)</sup>	\$ 0.20	\$85,000	Cash

- (1) Issued as seed capital.
- (2) Issued during the Initial public offering (IPO) as a CPC.
- (3) Issued pursuant to the reverse takeover of 9103-8240 Quebec Inc.
- (4) Issued pursuant to a second public offering.
- (5) Issued pursuant to a private placement
- (6) Issued pursuant to a 425,000 brokers' warrants exercise.

On August 10, 2006, the Corporation completed a private placement for gross proceeds of \$2,000,000. In connection with this offering, 10,000,000 units were issued at \$0.20 per unit. Each unit is composed of one common share and one warrant. Each warrant allows its owner to buy one additional common share at a price of \$0.24 over the next three (3) years. The fair value of the warrants is \$200,000.

On November 6, 2006, the Corporation issued 425,000 shares for a gross amount of \$85,000 pursuant to the exercise of 425,000 brokers' warrants which were expiring on November 18, 2006.

## **RISK FACTORS**

### **I. Ability to develop and maintain a clientele for its product**

The future performance of ZoomMed and its Subsidiary 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.

### **II. Ability to hire and retain key personnel**

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

### **III. Financial history**

ZoomMed and its Subsidiary operate a developing business. In consequence, one cannot rely on their financial history in order to assess the likelihood of their achieving Income projections nor their financial projections in general.

## **USE OF ACCOUNTING ESTIMATES**

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

## SUBSEQUENT EVENTS

### *ZRx Prescriber*

As at January 25, 2007, more than 345 physicians working in 28 medical clinics have signed agreements regarding the use of the *ZRx Prescriber*. By the end of the year, the *ZRx Prescriber* will be contributing to our revenues.

### *Medical and paramedical equipment*

In accordance with its new marketing strategy, ZoomMed signed, in September 2006, an agreement for its first "ZOOMCITY" franchise, to be open in February 2007, in Laval.

Furthermore, ZoomMed rented new spaces on the Montreal South Shore in order to set up its master "ZOOMCITY" franchise. Our master franchise was fully operational in December 2006.

"ZOOMCITY" is a medical and paramedical equipment retail store.

## ADDITIONAL INFORMATION

ZoomMed Inc. files its consolidated financial statements, management's discussion and analysis, press releases and other required filing documents on the SEDAR database at [www.sedar.com](http://www.sedar.com).

ZoomMed's common shares are traded on the TSX Venture Exchange in Toronto, under the symbol: **ZMD**.

## OUTSTANDING SHARES AS AT NOVEMBER 30, 2006

Common shares	<b>50,704,800</b>
Options granted to its agent	<b>538,365</b>
Options issued in accordance with the provisions of the stock option plan	<b>3,717,500</b>