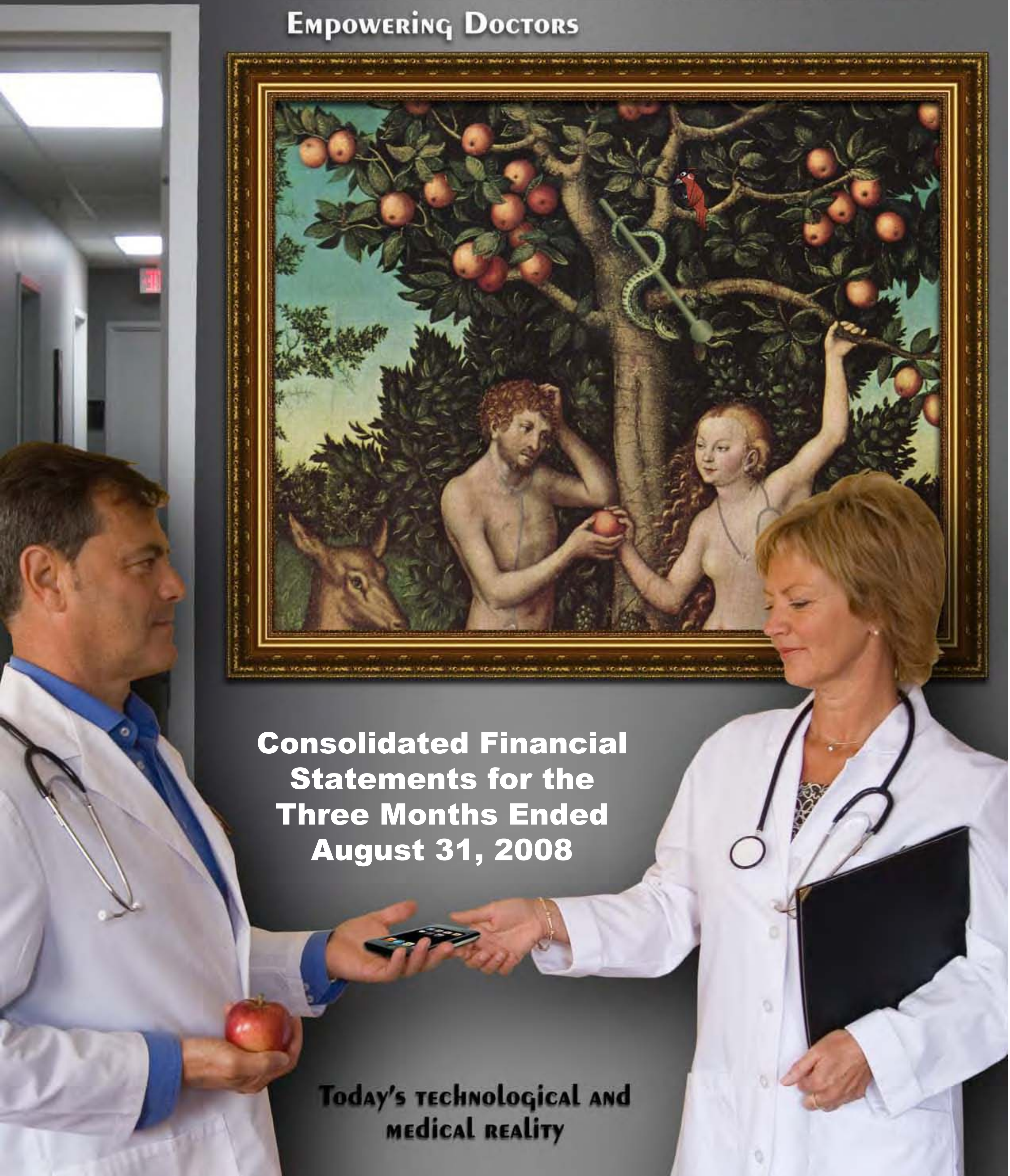
ZOOMMED

Empowering Doctors



Consolidated Financial Statements for the Three Months Ended August 31, 2008

Today's technological and medical reality

INTERIM FINANCIAL REPORT
AS AT AUGUST 31, 2008

To the shareholders of
ZOOMMED INC.

MANAGEMENT COMMENTS

The financial statements of ZoomMed Inc. for the period ended August 31, 2008 and all information contained in this interim financial report are the responsibility of the management and have been approved by the Board of Directors.

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

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

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

ZoomMed Inc. interim financial statements for the three-month period ended August 31, 2008 and 2007, as well as related comparative data, have not been reviewed or audited by external auditors.

October 20, 2008

Yves Marmet

Yves Marmet,
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2008 AND 2007

	August 31, 2008 (3 months) (unaudited)	August 31, 2007 (3 months) (unaudited)
REVENUES (Note 5)	$ 250,215	$ 288,452
OPERATING EXPENSES		
Cost of goods sold	73,567	58,964
Selling expenses	443,247	288,309
Administrative expenses	258,680	243,513
Operating expenses	360,023	157,386
Financial expenses (Note 5)	4,730	7,631
Amortization (Note 5)	312,639	220,725
	1,452,886	976,528
LOSS BEFORE NON-CONTROLLING INTEREST	(1,202,671)	(688,076)
NON-CONTROLLING INTEREST	(1,750)	(1,750)
NET LOSS	$ (1,204,421)	$ (689,826)
BASIC AND DILUTED EARNINGS PER SHARE	$ (0.014)	$ (0.010)
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	87,456,012	71,331,147

CONSOLIDATED BALANCE SHEETS
AS AT AUGUST 31, 2008 AND MAY 31, 2008

		August 31, 2008 (unaudited)		May 31, 2008 (audited)
ASSETS				
CURRENT ASSETS				
Cash	$	6,776,929	$	952,943
Accounts receivable (Note 6)		489,804		230,440
Inventories		88,127		99,027
Prepaid expenses		25,692		70,080
		7,380,552		1,352,490
FIXED ASSETS (Note 7)		1,159,574		1,074,201
INTANGIBLE ASSETS (Note 8)		3,420,073		3,590,563
OTHER ASSETS (Note 9)		25,000		25,000
	$	11,985,199	$	6,042,254
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable (Note 10)	$	860,773	$	750,179
Deferred revenues		414,527		71,970
Current portion of long-term debt		70,705		89,778
Non-controlling interest		-		219,833
		1,346,005		1,131,760
LONG-TERM DEBT (Note 11)		95,484		78,354
LEASE INDUCEMENT		16,063		17,249
		1,457,552		1,227,363
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 13)		20,452,715		14,570,915
WARRANTS (Note 13 c) and 15)		2,842,671		823,000
CONTRIBUTED SURPLUS		1,712,920		1,715,970
DEFICIT		(14,480,659)		(12,294,994)
		10,527,647		4,814,891
	$	11,985,199	$	6,042,254

ON BEHALF OF BOARD OF DIRECTOR

Yves Harnet Director

Marie-Hélène Picard Director

CONSOLIDATED STATEMENTS OF DEFICIT AND CONTRIBUTED SURPLUS
FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2008 AND 2007

	August 31, 2008 (3 months) (unaudited)	August 31, 2007 (3 months) (unaudited)
DEFICIT		
BALANCE, BEGINNING OF YEAR		
As previously reported balance	$ (12,294,994)	$ (8,338,139)
Changes in accounting policies (Note 3)	-	5,357
Adjusted balance as restated	(12,294,994)	(8,332,782)
Net loss	(1,204,421)	(689,826)
Share issue expenses	(981,244)	-
BALANCE, END OF YEAR	$ (14,480,659)	$ (9,022,608)
CONTRIBUTED SURPLUS		
BALANCE, BEGINNING OF YEAR	$ 1,715,970	$ 1,656,275
Exercised stock options	(3,050)	(3,055)
BALANCE, END OF YEAR	$ 1,712,920	$ 1,653,220

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2008 AND 2007

	August 31, 2008 (3 months) (unaudited)	August 31, 2007 (3 months) (unaudited)
OPERATING ACTIVITIES		
Net loss	$ (1,204,421)	$ (689,826)
Amortization	312,639	221,106
Increase in long-term debt	3,852	879
Non-controlling interest	-	1,750
Loss (gain) on disposal of fixed assets	(584)	3,877
Lease inducement	(1,186)	(461)
	(889,700)	(462,675)
Net change in non-cash working capital items	249,073	(42,793)
Cash flows used in operating activities	(640,627)	(505,468)
FINANCING ACTIVITIES		
Repayments of long-term debt	(5,795)	(30,777)
Share issuance	7,898,421	28,700
Share issue expenses	(981,244)	-
Repayment of non-controlling interest	(219,833)	-
Cash flows from financing activities	6,691,549	(2,077)
INVESTING ACTIVITIES		
Acquisition of a guaranteed investment certificate	-	(3,025,000)
Proceeds from disposal of a guaranteed investment certificate	-	32,852
Acquisition of fixed assets	(176,593)	(206,618)
Proceeds from disposal of fixed assets	1,716	-
Acquisition of intangible assets	(52,059)	(184,256)
Cash flows used in investing activities	(226,936)	(3,383,022)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,823,986	(3,890,567)
CASH BEGINNING OF YEAR	952,943	5,087,056
CASH END OF YEAR	$ 6,776,929	$ 1,196,489

Cash flows related to operating activities include interest paid in the amount of $541 in 2008 compared to $1,107 in 2007.

1. IDENTIFICATION AND INDUSTRY

The Company was incorporated under the Canada Business Corporations Act on February 24, 2005.

Until July 27, 2005 the Company carried on business as a “Capital Pool Company”, as this term is defined the TSX Venture Exchange policy (The Exchange). On July 27, 2005, with the acquisition of all of the outstanding Class A shares of “9103-8240 Quebec Inc.”, now being called ZoomMed Medical Inc., the Company completed its qualifying transaction pursuant to the rules of the Exchange. According to Canadian generally accepted accounting principles, these consolidated financial statements are recognized as being the continuity of ZoomMed Medical Inc. The Company is now the reporting issuer resulting from the reverse takeover.

ZoomMed is committed to two business missions:

1) The development and the marketing of the ***ZRx Prescriber***, an innovative product for physicians; and
2) Sales of paramedical equipment to the public in general and Healthcare agencies, and the development of a franchise network which operates under the name **ZoomCité**.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The Consolidated Financial Statements include the accounts of ZoomMed Inc. and ZoomMed Medical Inc.

Revenue recognition

Revenues derived from annual advertising contracts, related to the ZRx Prescriber, are recognized on a straight-line basis over the duration of the related agreements.

Revenues from equipment sales and services are recognized as soon as the merchandise leaves the warehouse or as the services are rendered. For the franchises, revenues from the initial fees are recognized when the franchisor has fulfilled most of the important obligations related to the creation of the franchise. Revenues from equipment sales to franchisees are recognized as soon as the merchandise is delivered. For this type of product, the cost of goods sold is not presented separately because it is recorded as a reduction of revenue.

Temporary cash investments

Temporary investments held for trading are measured at fair value, using the market rates. Any gain or loss, realized or latent, is recognized in net income.

Inventory valuation

For new products, inventories are valued at the lower of cost and net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fixed assets

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

	Method	Rates
Vehicles	Declining balance	30 %
Machinery and equipment	Declining balance	20 %
Furniture and sign	Declining balance	20 %
Computer equipment	Declining balance	30 %
Computer equipment for *ZRx Prescriber*	Declining balance	30 %
Leasehold improvements	Straight-line	20 % - 10 %

Intangible assets

Intangible assets are recorded at cost and are amortized on a straight-line basis on the following rates:

	Rates
Web site	33 %
Software	50 %
Intellectual property	10 %
License	33 %
Development costs	33 %

Intellectual property is recorded at cost, plus related future income taxes, and will be amortized over a ten-year period from the marketing date of the product, starting November 2006.

The development costs include the development of prescribing software and new functionalities using the web technology, and a web portal, are amortized on a straight-line basis over of three-year period from the marketing date of the product.

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

Long-term debt issue expenses

Long-term debt issue expenses are carried in reduction of the corresponding debt and are amortized according to the effective interest method.

Government assistance

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

The wage subsidies related to operating expenses are recorded against salaries.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment of long-lived assets

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

Lease inducement

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

Non-controlling interest

The non-controlling interest constitutes a direct non-controlling interest in the Company by way of 200,000 Class B shares of ZoomMed Medical Inc. Class B shareholders are entitled to receive a cumulative annual dividend of 3.5%. These shares were repurchased during the first quarter of fiscal 2009.

Stock-based compensation

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

Use of accounting estimates

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

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

Basic and fully diluted earnings per share

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

3. CHANGES IN ACCOUNTING POLICIES

On June 1, 2007, the Company adopted the new accounting standards related to: Section 1530 “Comprehensive Income”, Section 3855 “Financial Instruments – Recognition and Measurement” and Section 3865 “Hedges”. Figures for periods prior to June 1, 2007 were not amended.

Financial instruments – Recognition and measurement

Under this new standard, all financial assets will be classified in one of the following four categories: 1) held to maturity 2) loans and receivables 3) held for trading and 4) available for sale. Financial liabilities will have to be classified as “held for trading” or “other”. Financial assets and liabilities held for trading will be valued at their fair value, and gains and losses will be recorded in net results. Held-to-maturity financial assets, loans and receivables, and financial liabilities classified as “other” will be recognized at amortized cost using the effective interest rate method. Available-for-sale financial assets will be valued at fair value, and all the unrealized gains and losses will be recorded in other comprehensive income. The new standard will enable entities to designate all financial instruments as held for trading when they are initially recognized or when this standard is adopted, even if this financial instrument does not fall within the definition of a financial instrument held for trading. Financial instruments held for trading under the fair value option must have a reliable fair value.

The Company has elected to classify investments held for trading. Consequently, any differences in the fair value of these assets will be recorded directly in net results.

Long-term debts are classified in “other liabilities” and accounted for at cost. Transaction costs related to “other liabilities” are capitalized and depreciated in accordance with the effective interest rate method and recorded in the net income.

Comprehensive Income

Following the adoption of these new accounting standards, the Company must present a statement of other comprehensive income. Other comprehensive income includes the net income and the other elements of the comprehensive income. Considering that the Company has classified the whole of its financial instruments as financial instruments “held for trading” and its long-term debts in the category “other liabilities”, no variation element was classified in the other elements of the comprehensive income, consequently, net loss corresponds to the total of the comprehensive income.

Impact of adopting these new standards

The adjustments related to the classification of investments as financial instruments held for trading were nil and therefore no adjustment was recorded in the deficit’s opening balance as at June 1, 2007. The adjustments due to the classification of the long-term debt in the category “other liabilities”, disclosed net from related transaction fees depreciated in accordance with the effective interest rate method, were recorded in the deficit’s opening balance as at June 1, 2007. The result of this adjustment at June 1, 2007 was a reduction in the deficit’s opening balance of $5,357.

3. CHANGES IN ACCOUNTING POLICIES (CONT.)

Here is a summary of the effect of these new accounting standards on the opening balance.

	As at May 31, 2007	Adjustments	As at June 1, 2007
ASSETS			
Current assets	$ 5,751,747	$ -	$ 5,751,747
Fixed Assets	516,246	-	516,246
Intangible assets	2,935,880	-	2,935,880
Other assets	761,073	(601)	760,472
	9,964,946	(601)	9,964,345
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	1,128,809	-	1,128,809
Long-term debt	20,250	(5,958)	14,292
Lease inducement	6,758	-	6,758
Non-controlling interest	212,833	-	212,833
	1,368,650	(5,958)	1,362,692
Shareholders' equity	16,934,435	-	16,934,435
Deficit	(8,338,139)	5,357	(8,332,782)
	8,596,296	5,357	8,601,653
	$ 9,964,946	$ (601)	$ 9,964,345

4. FUTURES CHANGES IN ACCOUNTING POLICIES

Capital disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") published Section 1535, "Capital Disclosures". This new standard establishes disclosure requirements concerning capital such as: qualitative information about an entity's objectives, policies and processes for managing capital; quantitative data about what it regards as capital; whether the entity has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The management is currently assessing the future impact of this new standard on its consolidated financial statements.

Financial instruments

In December 2006, the CICA published Section 3862, "Financial Instrument – Disclosures", and Section 3863, "Financial Instruments- Presentation". These new standards replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. The management has adopted those Sections as of June 1, 2008.

4. FUTURES CHANGES IN ACCOUNTING POLICIES (CONT.)

Inventories

In March 2007, the CICA published Section 3031, “Inventories”, which aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (“IFRS”). This new standard provides more guidance on the measurement and disclosure requirements for inventories. It requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs incurred in bringing the inventories to their present location and condition. The standard also requires the use of either first in, first out (“FIFO”) or weighted average cost formula to measure the cost of inventories. Accordingly, the Company adopted the new standards for its fiscal year beginning June 1, 2008. The management evaluated that the adoption of this new standard had no material impact on the Company’s consolidated financial statement.

Intangible assets

In November 2007, the CICA issued Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and section 3450, “Research and Development Costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statement relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning June 1, 2009. It establishes standards for the recognition and of intangible assets by profits-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The management is currently assessing the impact of the adoption of this new Section on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies will be converged to IFRS. The changeover date from current Canadian GAAP to IFRS, for the Company, is for the fiscal year beginning on June 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The management is currently assessing the future impact of these new standards on its consolidated financial statements.

5. INFORMATION ON INCOME

		2008	2007
a)	Revenue:		
	Sales	$ 217,427	$ 220,410
	Net income from franchisees	4,393	17,983
	Interest income	28,395	50,059
		$ 250,215	$ 288,452
b)	Financial expenses:		
	Interest on long-term debt	$ 1,226	$ 1,986
	Interest and bank charges	3,480	5,264
	Amortization of deferred financing costs	24	381
		$ 4,730	$ 7,631

5. INFORMATION ON INCOME (CONT.)

		2008		2007
c) Amortization:				
Amortization of fixed assets	$	90,089	$	49,325
Amortization of intangible assets		222,550		171,400
	$	312,639	$	220,725

6. ACCOUNTS RECEIVABLE

		August 31, 2008		May 31, 2008
Accounts receivable	$	359,639	$	87,042
Research and development tax credits[1]		70,144		70,144
Sales tax receivable		60,021		73,254
	$	489,804	$	230,440

[1] The exact receivable amount will be known when Revenu Quebec will process and approve the claim. There is a possibility that the approved amount differs from the recorded amount.

7. FIXED ASSETS

	August, 31 2008					
		COST		ACCUMULATED AMORTIZATION		NET BOOK VALUE
Vehicles	$	10,516	$	1,381	$	9,135
Machinery and equipment		18,585		13,651		4,934
Furniture and sign		150,887		50,723		100,164
Computer equipment		190,850		88,722		102,128
Computer equipment for *ZRx Prescriber*		1,205,407		310,832		894,575
Leasehold improvements		93,157		44,519		48,638
	$	1,669,402	$	509,828	$	1,159,574

	May, 31 2008					
		COST		ACCUMULATED AMORTIZATION		NET BOOK VALUE
Vehicles	$	10,516	$	640	$	9,876
Machinery and equipment		18,585		13,391		5,194
Furniture and sign		149,850		45,460		104,390
Computer equipment		178,828		80,899		97,929
Computer equipment for ZRx *Prescriber*		1,043,220		240,736		802,484
Leasehold improvements		93,157		38,829		54,328
	$	1,494,156	$	419,955	$	1,074,201

8. INTANGIBLE ASSETS

	August 31, 2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Amortized intangible assets			
Web site	$ 26,200	$ 26,200	$ -
Software	4,322	4,095	227
License	333,306	122,083	211,223
Intellectual property	2,935,934	513,788	2,422,146
Development cost	1,417,174	630,697	786,477
	$ 4,716,936	$ 1,296,863	$ 3,420,073

	May 31, 2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Amortized intangible assets			
Web site	$ 26,200	$ 26,200	$ -
Software	4,322	4,019	303
License	329,956	92,500	237,456
Intellectual property	2,935,934	440,390	2,495,544
Development cost	1,368,464	511,204	857,260
	$ 4,664,876	$ 1,074,313	$ 3,590,563

During fiscal year 2008, the Company applied research and development tax credits, totaling $50,000 ($193,786 in 2007), against capitalized development costs.

9. OTHER ASSETS

	August 31, 2008	May 31, 2008
Guaranteed investment certificate, 3.35%	$ 25,000	$ 25,000

The Guaranteed investment certificate is charged with a hypothec, securing a guaranteed letter in favor of "Fédération des Caisses Desjardins du Québec", until June 2009.

10. ACCOUNTS PAYABLE

	August 31, 2008	May 31, 2008
Accounts payable and accrued liabilities	$ 609,770	$ 511,410
Wages and deductions at source	251,003	214,619
Advance from a shareholder, without interest	-	24,150
	$ 860,773	$ 750,179

11. LONG-TERM DEBT

	August 31, 2008 (amortized cost)	May 31, 2008 (amortized cost)
Loan, interest at prime rate plus 2%, secured by the shareholders, monthly capital payment of $845 plus interest, maturing September 2008 ;	$ 845	$ 3,380
Loan, Idée-PME program, non-interest bearing, 10% effective interest discount, annual capital payment of $20,250, maturing April 2009;	18,910	18,408
Loan, La Solide ville de Longueuil, interest at 10% plus 1.5% of the annual income before income taxes, monthly capital and interest payment of $634, maturing November 2009[1];	8,806	10,439
Loan, le CLD de Longueuil, interest at 9%, secured by the shareholders, monthly capital and interest payment of $622, maturing December 2009[1];	9,322	10,949
Note payable, non-interest bearing, 10% effective interest discount, payable by an initial $30,000 payment (paid in May 2008) and equal and consecutive payments of $5,000 beginning in December 2008, maturing in April 2011.	128,306	124,956
	166,189	168,132
Current portion	70,705	89,778
	$ 95,484	$ 78,354

[1] These contracts are presented on a current basis due to a change of control which occurred with the reverse takeover in July 2005.

Principal repayments required for the next three years are as follows:

2009	2010	2011
$ 79,189	$ 64,343	$ 45,000

12. COMMITMENTS

a) As at August 31, 2008, the balance of commitments under operating leases amounts to $599,641.

Minimum lease payments in each of the next five years are as follows:

	2009	2010	2011	2012	2013
Leasehold - Head office	$ 116,055	$ 116,412	$ 48,505	$ -	$ -
Leasehold - ZoomCité	45,072	7,512	-	-	-
Leasehold - Toronto	58,080	58,080	58,080	58,080	-
Multi-function printer	7,293	7,293	7,293	7,293	4,593
	$ 226,500	$ 189,297	$ 113,878	$ 65,373	$ 4,593

b) The Company has undertaken under a licensing agreement relating to database access software to pay an annual amount of $31,500 for mandatory updates. This agreement relates to an initial term of three years ending in September 2009 and is renewable annually at the end of the term.

13. SHARE CAPITAL

a) Authorized

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

b) Issued and fully paid

	August 31, 2008	May 31, 2008
98,215,785 common shares (72,742,290 shares as at May 31, 2008)	$ 20,452,715	$ 14,570,915

c) Transaction during period

On June 19, 2008, The Company issued 20,000 shares of its capital stock after 20,000 options held by employees were exercised. These options were expiring on June 28, 2008.

On July 8, 2008, ZoomMed completed a public placement, for gross proceeds of $7,671,514, issuing 26,453,495 units of ZoomMed Inc. at a price of $0.29 per Unit. Each unit is comprised of one common share in the share capital of the Company and one-half of one common share purchase warrant. Each whole warrant gives the holder the right to purchase one common share at a price of $0.35 for a period of 24 months. The Company granted a 6.5% cash commission to the agents and a number of warrants to purchase common shares equal to 6.5% of the total number of units sold under the offering at a price of $0.29 per share for a period of 18 months.

13. SHARE CAPITAL (CONT.)

d) Transactions during 2008

The Company issued 425,000 shares of its share capital for a cash consideration of $108,000 after 425,000 warrants, with a carrying value of $28,500, were exercised.

The Company issued 23,500 shares of its share capital for a cash consideration of $4,700 after 23,500 stock options, with a carrying value of $3,055, were exercised. These stock options were held by employees.

e) Share capital break-down

	Number		Declared
Balance as at May 31, 2007 :	71,293,790	$	14,426,660
Issued after the exercising of warrants	425,000		136,500
Issued after the exercising of stock options	23,500		7,755
Balance as at May 31, 2008	71,742,290	$	14,570,915
Issued for public placement (July 8, 2008)	26,453,495	$	5,874,000
Issued after the exercising of stock options	20,000		7,800
Balance as at August 31, 2008	98,215,785	$	20,452,715

f) Escrowed shares

In accordance with the requirements of the TSX Venture Exchange, all the 3,000,000 common shares issued before the initial public offering and the 18,000,000 issued common shares from the reverse takeover are held in escrow under two securities escrow agreements.

For the first agreement representing 3,000,000 common shares, under the terms of the agreement, 10% of common shares held in escrow have been released upon publication of the Final Exchange Bulletin and 15% of the additional common shares will be released at six-month intervals on the 6^{th}, 12^{th}, 18^{th}, 24^{th}, 30^{th} and 36^{th} months following the initial releases. The agreement ended on August 8, 2008.

For the second agreement representing 18,000,000 common shares, under the terms of the agreement, 0% of common shares held in escrow have been released upon publication of the Final Exchange Bulletin and 5% of the additional common shares will be released at six-month intervals on the 6^{th}, 12^{th}, 18^{th}, 24^{th}, and 10% on the 30^{th}, 36^{th}, 42^{nd}, 48^{th}, 54^{th}, 60^{th}, 66^{th}, 72^{nd} months following the initial releases. The agreement will end on August 8, 2011.

As at August 31, 2008, 10,800,000 common shares (13,050,000 at May 31, 2008) were still held in escrow.

14. STOCK OPTION PLAN

The shareholders of the Company approved a resolution modifying of 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 October 27, 2006. Under the plan terms, the exercise price of the options will be determined by the Directors of the Company limited to the extent of other restrictions described in the plan and some requirements of the TSX Venture Exchange. The maximum period for which an option is issued is limited to five years and the exercise price of these options must be paid in full before the issue of the related shares.

The following table summarizes the changes in the plan position for the years ended on May 31, 2007 and 2008:

	Options	Average Exercise price
Balance as at May 31, 2007	7,120,000	$0.23
Awarded	295,000	$0.40
Exercised	(23,500)	$0.20
Cancelled	(220,000)	$0.25
Balance as at May 31, 2008	7,171,500	$0.24
Exercised	(20,000)	$0.24
Cancelled	(65,000)	$0.43
Balance as at August 31, 2008	7,086,500	$0,23

The following table summarizes the information about the outstanding stock options as at May 31, 2008 and August 31, 2008.

a) As at August 31, 2008

Outstanding options			Exercisable options	
Number	Weighted average outstanding maturity (months)	Weighted average exercise price	Number	Weighted average exercise price
540,000	22	$0.20	540,000	$0.20
1,235,000	24	$0.25	1,235,000	$0.25
1,024,000	34	$0.20	1,024,000	$0.20
640,000	39	$0.20	640,000	$0.20
150,000	41	$0.25	150,000	$0.25
3,247,500	44	$0.50	3,247,500	$0.50
100,000	50	$0.40	100,000	$0.40
50,000	53	$0.40	50,000	$0.40
100,000	55	$0.40	100,000	$0.40
7,086,500	37	$0.35	7,086,500	$0.35

14. STOCK OPTION PLAN (CONT.)

Transactions during the first quarter ended August 31, 2008.

The Company issued 20,000 shares of its capital stock after 20,000 options held by employees were exercised.

b) As at May 31, 2008

Outstanding options			Exercisable options	
Number	Weighted average outstanding maturity (months)	Weighted average exercise price	Number	Weighted average exercise price
540,000	25	$0.20	540,000	$0.20
1,250,000	27	$0.25	1,250,000	$0.25
1,029,000	37	$0.20	1,029,000	$0.20
640,000	42	$0.20	640,000	$0.20
150,000	44	$0.25	150,000	$0.25
3,267,500	47	$0.50	3,267,500	$0.50
45,000	52	$0.40	45,000	$0.40
100,000	53	$0.40	100,000	$0.40
50,000	56	$0.40	50,000	$0.40
100,000	58	$0.40	[1] 100,000	$0.40
7,171,500	40	$0.35	7,071,500	$0.35

[1] The shares issued under this plan are subject to transfer restrictions for a period of four months from the grant date.

Transactions during fiscal year 2008

The Company issued 23,500 shares of its capital stock after 23,500 options held by employees were exercised. These options were expiring on June 29, 2011.

The Company granted 295,000 options entitling the holder to purchase 295,000 common shares at an exercise price of $0.40 per share for a period of five years.

14. STOCK OPTION PLAN (CONT.)

The fair value of the stock options awarded during the year 2008 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

	May 31, 2008			
Date	September 4, 2007	October 6, 2007	January 23, 2008	March 10, 2008
Quantity	45,000	100,000	50,000	100,000
Value granted	$0.25	$0.18	$0.29	$0.19
Dividend yield	Nil	Nil	Nil	Nil
Expected volatility	75%	75%	75%	75%
Risk-free interest rate	4.36%	4,35%	3,48%	2,94%
Expected life	60 months	60 months	60 months	60 months

The compensation expense related to the stock option plan amounts to $62,750 for the year ended May 31, 2008.

15. WARRANTS

The following table summarizes the changes in the plan position for the years ended on May 31, 2008 and August 31, 2008:

	Warrants	Weighted average Exercise price
Balance as at May 31, 2007	22,199,996	$0.34
Warrants exercised	(425,000)	$0.25
Balance as at May 31, 2008	21,774,996	$0.34
Awarded to investors	13,226,747	$0.35
Awarded to brokers	1,719,477	$0.29
Balance as at August 31, 2008	36,721,220	$0.34

a) Transaction during the first quarter ended August 31, 2008.

On July 8, 2008, ZoomMed completed a public placement, for gross proceeds of $7,671,514, issuing 26,453,495 units of ZoomMed Inc. at a price of $0.29 per unit. Each unit is comprised of one common share in the share capital of the Company and one-half of one common share purchase warrant. Each whole warrant gives the holder the right to purchase one common share at a price of $0.35 for a period of 24 months. The Company granted a 6.5% cash commission to the agents and a number of warrants to purchase common shares equal to 6.5% of the total number of units sold under the offering at a price of $0.29 per share for a period of 18 months.

15. WARRANTS (CONT.)

The following table summarizes the information about brokers' and private investors' outstanding stock options and warrants as at August 31, 2008.

Outstanding warrants			Exercisable warrants	
Number	Weighted average outstanding maturity (months)	Weighted average exercise price	Number	Weighted average exercise price
9,625,000	12	$0.24	9,625,000	$0.24
9,999,996	8	$0.45	9,999,996	$0.45
2,150,000	2	$0.35	2,150,000	$0.35
14,946,224	17	$0.34	14,946,224	$0.34
36,721,220	12	$0.34	36,721,220	$0.34

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

	Brokers	Investors
Quantity	1,719,477	13,226,747
Value granted	$0.14	$0.13
Dividend yield	Nil	Nil
Expected volatility	100%	100%
Risk-free interest rate	3,20%	3,20%
Expected life	18 months	24 months

b) Transactions during fiscal year 2008

During the year, the Company issued 425,000 common shares of its capital pursuant to the exercise of 425,000 warrants.

The following table summarizes the information about brokers' and private investors' outstanding stock options and warrants as at May 31, 2008.

Outstanding warrants			Exercisable warrants	
Number	Weighted average outstanding maturity (months)	Weighted average exercise price	Number	Weighted average exercise price
9,625,000	15	$0.24	9,625,000	$0.24
9,999,996	11	$0.45	9,999,996	$0.45
2,150,000	5	$0.35	2,150,000	$0.35
21,774,996	12	$0.35	21,774,996	$0.35

16. RELATED PARTY TRANSACTIONS

Period ending August 31, 2008

During the three-month period ended August 31, 2008, the Company paid professional fees totaling $21,000 to one Company owned by a shareholder and officer. As at August 31, 2008, accounts payable include an amount of $7,350 relating to these transactions.

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

Period ending August 31, 2007

During the three-month period ended August 31, 2007, the Company paid professional fees totaling $19,225 to one Company owned by a shareholder and officer. As at August 31, 2007, accounts payable include an amount of $10,600 relating to these transactions.

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

17. SEGMENT DISCLOSURES

ZoomMed is committed to two business missions:

1) The development and the marketing of the ***ZRx Prescriber***, an innovative product for physicians; and

2) Sales of paramedical equipment to the general public and healthcare agencies, and the development of a franchise network which operates under the name **ZoomCité**.

For better segment disclosures, paramedical equipment sales have been divided in order to separately present the franchise network sector. Since the headquarter expenses are important, they are also presented separately.

During the period ended August 31, 2008, revenues and expenses are allocated as follows:

	Prescriber	Equip-ment	Fran-chises	Head Office	Total
Revenue and expenses					
Sales	$ 83,245	$ 134,182	$ 4,393	$ -	$ 221,820
Interest income	-	285	-	28,110	28,395
	83,245	134,467	4,393	28,110	250,215
Cost of goods sold	-	73,567	-	-	73,567
Selling expenses	219,735	64,803	2,107	156,602	443,247
Administrative expenses	63,414	19,975	-	175,291	258,680
Operating expenses	316,190	-	-	43,833	360,023

17. SEGMENT DISCLOSURES (CONT.)

	Prescriber	Equip-ment	Fran-chises	Head Office	
Financial expenses	-	3,963	-	767	4,730
Amortization	306,097	4,239	-	2,303	312,639
Non-Controlling interest	-	1,750	-	-	1,750
Total expenses	905,436	168,297	2,107	378,796	1,454,636
Segment earnings before income taxes	$ (822,191)	$ (33,830)	$ 2,286	$ (350,686)	$ (1,204,421)

[1] Stock-based compensation for the Company's head office includes external directors and consultants.

During the period ended August 31, 2007, revenues and expenses are allocated as follows:

	Prescriber	Equip-ment	Fran-chises	Head Office	Total
Revenue and expenses					
Sales	$ 120,000	$ 100,410	$ 17,983	$ -	$ 238,393
Interest income	-	-	-	50,059	50,059
	120,000	100,410	17,983	50,059	288,452
Cost of goods sold	-	58,964	-	-	58,964
Selling expenses	120,561	66,660	16,417	84,671	288,309
Administrative expenses	36,710	19,070	6	187,727	243,513
Operating expenses	34,345	87,459	-	35,582	157,386
Financial expenses	-	6,305	-	1,326	7,631
Amortization	215,480	2,942	-	2,303	220,725
Non-Controlling interest	-	1,750	-	-	1,750
Total expenses	407,096	243,150	16,423	311,609	978,278
Segment earnings before income taxes	$ (287,096)	$ (142,740)	$ 1,560	$ (261,550)	$ (689,826)

Segment assets are allocated as follows:

	August 31, 2008	May 31, 2008
Supply of paramedical equipment	$ 243,775	$ 455,712
ZRx Prescriber segment	11,741,424	5,586,542
	$ 11,985,199	$ 6,042,254

17. SEGMENT DISCLOSURES (CONT.)

Acquisitions of fixed assets and other intangible assets for the year are as follows:

	August 31, 2008	May 31, 2008
Supply of paramedical equipment	$ -	$ 16,668
ZRx Prescriber segment	228,652	1,526,203
	$ 228,652	$ 1,542,871

18. COMPARATIVE FIGURES

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