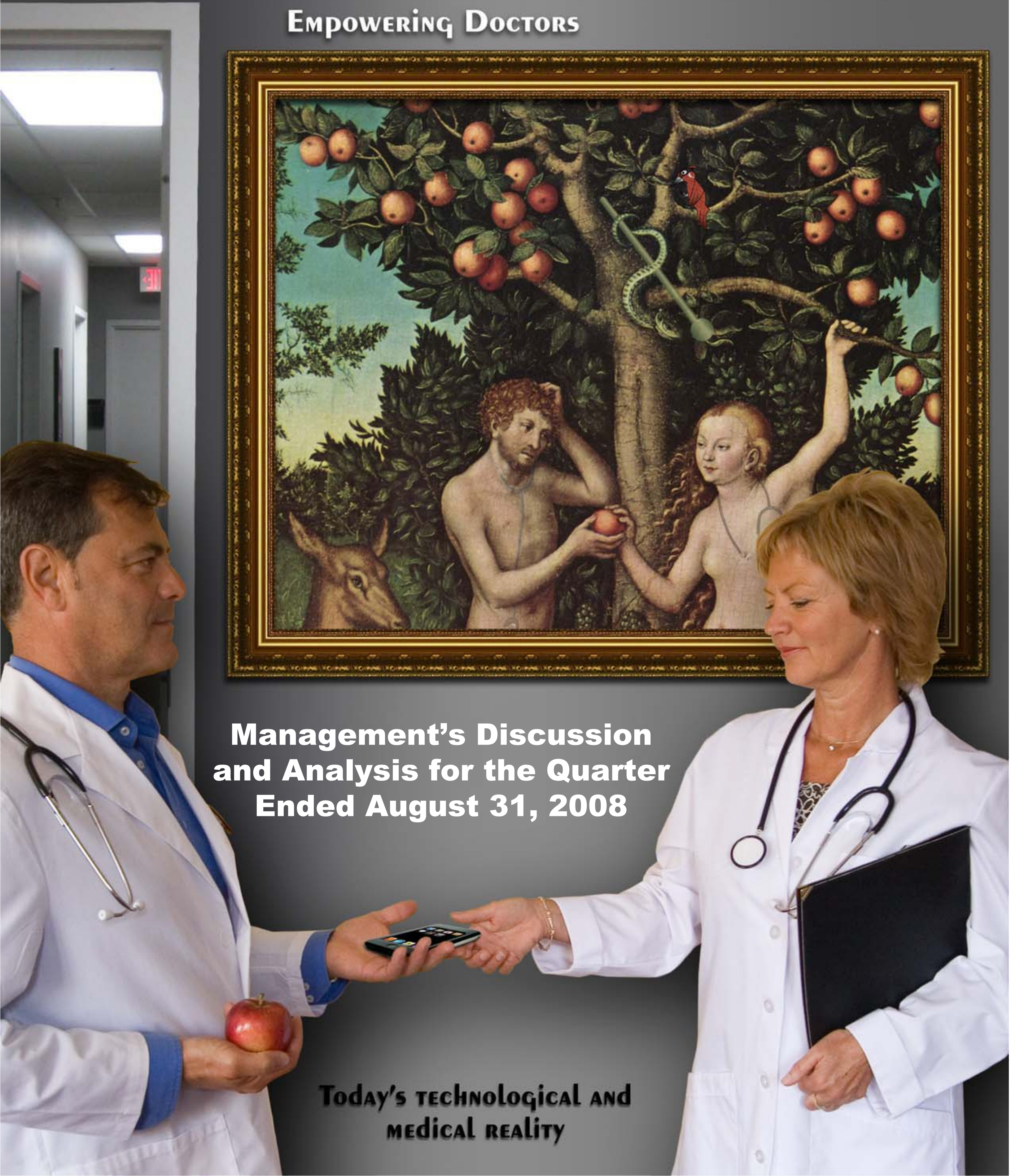
ZOOMMED

Empowering Doctors



Management's Discussion and Analysis for the Quarter Ended August 31, 2008

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 August 31, 2008 and 2007, and ZoomMed Inc. audited consolidated financial statements and accompanying notes as at May 31, 2008.

Management prepared this report, taking into account all available information as at October 6, 2008.

All financial information and financial statements presented in this analysis have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Unless otherwise indicated, all amounts are in Canadian dollars.

This management report may contain information and statements on the future performance of ZoomMed, which are forward-looking in nature. These statements reflect Management's expectations regarding future events, based on assumptions and uncertainties subject to risk factors, which we have identified in the Risks and Uncertainties section. Readers are hereby cautioned that actual results may differ materially from our expectations.

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

BUSINESS DESCRIPTION

The Corporation was incorporated under the Canada business Corporations Act on February 24, 2005.

Until July 27, 2005, the Corporation carried on business as a "Capital Pool Company", as this term is defined in the policies of the TSX Venture 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 Corporation 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 Corporation 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**.

OPERATING RESULTS

SELECTED ANNUAL INFORMATION

OPERATING RESULTS	ZoomMed Inc. As at August 31, 2008		ZoomMed Inc. As at August 31, 2007	
Revenues	$	250,215	$	288,452
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
EBITDA		(887,052)		(461,470)
Financial expenses		4,730		7,631
Amortization		312,639		220,725
Net loss	$	(1,204,421)	$	(689,826)
Basic and diluted earnings per share	$	(0.014)	$	(0.010)
Weighted average number of outstanding common shares		83,456,012		71,331,147

The recorded revenues during the first quarter 2009 are similar to those recorded in the first quarter 2008. The gross margin on goods sold is constant over the two periods. For the period ended August 31, 2007, the gross margin is 41% compared to 45% for the period ended August 31, 2008. It is important to note that there are no costs of goods sold associated with the ZRx Prescriber revenues and franchise revenues are presented net of cost of sales.

Selling expenses increased by $154,938 compared to August 31, 2007. This increase comes mainly from the expenditure surrounding the recruiting of new representatives for the ZRx Prescriber marketing in Ontario. Administration expenses were stable over the two periods.

Operating expenses amount to $360,023 for the period ended August 31, 2008 compared to $157,386 for the same period ended August 31, 2007. Those expenses are mainly attributable to the hiring of new personnel for the deployment of the ZRx Prescriber in Ontario and to a portion of the development costs that is recorded as operating expenses since October 2007. For the three-month period ended August 31, 2008, developments expenses amounted to $145,000.

The amortization increase relates to the investment in deployment equipment in Quebec and Ontario, and the costs of leasehold improvement for the ZRx Prescriber office in Ontario.

ZoomMed records an EBITDA (earnings (loss) before interest, taxes, depreciation and amortization) of $(887,052) for the period ended August 31, 2008 and $(461,470) for the corresponding period ended August 31, 2007.

ZoomMed recorded a net operating loss of $1,204,421 for the period ended August 31, 2008, and $689,826 for the same period ended August 31, 2007. The increase of expenses during the first quarter of 2008 is mainly associated to the marketing and the deployment of ZRx Prescriber in Ontario.

ZoomMed registered a $0.014 net loss per share for the period ended August 31, 2008, and $0.010 for the period ended August 31, 2007.

FINANCIAL SITUATION

BALANCE SHEETS	ZoomMed Inc. As at August 31, 2008		ZoomMed Inc. As at May 31, 2008	
Cash	$	6,776,929	$	952,943
Working capital		6,034,547		220,730
Fixed assets		1,159,574		1,074,201
Intangible assets		3,420,073		3,590,563
Total assets		11,985,199		6,042,254
Long-term debt including current portion		166,189		168,132
Shareholders equity		10,527,647		4,814,891
Share capital	$	20,452,715	$	14,570,915

CASH FLOWS SITUATION	ZoomMed Inc. As at August 31, 2008		ZoomMed Inc. As at August 31, 2007	
Cash flows used in operating activities	$	(640,627)	$	(505,468)
Cash flows from financing activities		6,691,549		(2,077)
Cash flows used in investment activities		(226,936)		(3,383,022)
Cash increase		5,823,986		(3,890,567)
Cash end of year	$	6,776,929	$	1,196,489

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 Corporation 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 fair value attributed to the warrants is $1,797,515 The Corporation granted a 6.5% cash commission to the agents and a number of non-assignable 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. The fair value attributed to the warrants is $222,156.

During the three-month period ended August 31, 2007, the Corporation issued 123,500 common shares of its share capital pursuant to the exercise of options by employees and warrants by an investor with a carrying amount of $33,755.

For the first quarter of 2009, the fixed assets increase is primarily due to the acquisition of computer equipments for physicians totaling $162,187 for the deployment of ZRx Prescriber, reduced by the $90,089 depreciation for the period.

The intangible assets remained relatively stable since May 31, 2008, the reduction being primarily ascribable to the amortization of the period.

Total Corporation assets increased from $6,042,254 as at May 31, 2008 to $11,985,199 as at August 31, 2008. This significant increase is primarily reflected in the cash position, that is to say, a $5,823,986 increase, following the issuance of common shares on July 8, 2008.

Long-term debt as at May 31, 2008 was $168,132 compared to $166,189 as at August 31, 2008. The Corporation did not contract any additional debt.

The Corporation shareholders' equity increased by $5,712,756, following the issuance of common shares for gross proceeds of $7,671,514.

CASH FLOW SITUATION

Cash flows used for operating activities amounted to $640,627 for the first quarter 2009, compared to $505,468 for the corresponding 2008 period. The increase is mainly due to expenses associated with the hiring of new personnel for the marketing and the deployment of ZRx Prescriber in Ontario.

In the first quarter ended August 31, 2008, financing activities totaling $6,691,549, come from the issuance of common shares for net proceeds of $7,671,514, including a $1,797,515 fair value attributed to the warrants. Financing activities amounted to ($2,077) as at August 31, 2007.

For the period ended August 31, 2008, a sum of $226,936 was invested in tangible and intangible assets. For the 2007 corresponding period, investment activities totaling $3,383,022 are primarily attributable to the acquisition of a $3,025,000 guaranteed investment certificate.

The net cash increase (decrease) from the three types of activities amounts to $5,823,986 for the period ended August 31, 2008 and $(3,890,567) for the same 2007 period.

CASH FLOWS AND LOANS

According to the Management, the cash flows required to finance our operating activities will come from revenues generated through agreements with pharmaceutical firms, as well as transactional revenues from pharmacists using the prescription information produced by the ZRx Prescriber.

In regards to the ZoomCité division, no major investments are required for its expansion.

Due to a change of control, which occurred with the reverse takeover in July 2005, breeches were noted in restrictive clauses contained in loan agreements with "La Solide" and "Le CLD de Longueuil", which explain why these loans are presented on a current basis. As at August 31, 2008, the combined amount of these two loans is $18,128.

None of these loans was subject to an acceleration of maturity, however, had they been, there would have been no major impacts on our cash flows or on our available credit given the amounts in question.

BELOW-THE-LINE ARRANGEMENTS

There were no below-the-line arrangements or arrangements likely to have an impact on our operating results or our financial situation.

RELATED PARTY TRANSACTIONS

During the three-month period, the Corporation paid professional fees totaling $21,000 to one company owned by shareholders and officers. 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.

OUTSTANDING SHARES, OPTIONS AND WARRANTS AS AT OCTOBER 15, 2008

Common shares	98,215,785
Warrants to agent and investors	36,721,220
Stock options in accordance with the stock option plan	7,036,500

ACCOUNTING ESTIMATES AND PRINCIPLES

Preparation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles requires that Management formulate estimates and assumptions affecting the amounts recorded in our financial statements and related notes. These estimates are based on Management's best knowledge of current events, as well as actions, which the Corporation may take in the future. While actual results may differ from the estimates provided.

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. The notes 2, 14 and 15 of the financial statements describe the assumptions used.

The Corporation initiated a stock option plan. In accordance with the section 3870 of the Canadian Institute of Chartered Accountants (CICA) Handbook, "Stock-based compensation and other stock-based payments", the Corporation uses the fair value based method of accounting for all stock options granted. According to this method, the compensation expense in regard of the stock options is measured at the grant date's estimated fair value, using an option-pricing model (Black & Scholes), and is recognized during the grant date period, the counterpart being recognized as contributed surplus.

CHANGES IN ACCOUNTING POLICIES

On June 1, 2007, the Corporation 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 Corporation 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 result.

Comprehensive Income

Following the adoption of these new accounting standards, the Corporation 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 Corporation 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 opening balance of $5,357.

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.

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 Corporation 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 Corporation’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 Corporation 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 Corporation, is for the fiscal year beginning on June 1, 2011. The Corporation 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.

CONTROLS AND PROCEDURES

The Corporation’s president and chief executive officer and chief financial officer have reviewed the disclosure controls and procedures as required by Multilateral Instrument 52-109 of the Canadian Securities Administrators. Certain items were brought to the attention of management and the audit committee, and measures have been taken to improve disclosure controls.

The Corporation’s president and chief executive officer and chief financial officer have concluded that, to the best of their knowledge, there have been no changes to the Corporation’s internal controls over financial reporting during the most recent quarter, which have materially affected, or could reasonably be likely to have an important incidence on the Corporation’s internal controls over financial reporting.

RISKS AND UNCERTAINTIES

I. Ability to develop and maintain a market for its product

The future performance of ZoomMed and its Subsidiary hinges on the continued popularity of its existing products and its ability to develop and introduce products that gain acceptance and satisfy consumer preferences in target markets. The popularity of any of its products may decline over time as consumer preferences change or as new, competing products are introduced in target markets. Developing new systems and distributing them in target markets requires significant investments.

II. Ability to hire and retain key personnel

Recruiting and retaining qualified personnel is essential to the success of ZoomMed and its Subsidiary, which have been successful in recruiting a strong workforce to help meet their objectives. However, as their activities grow, additional key financial, administrative, development and marketing personnel may be required. Although ZoomMed and its Subsidiary believe that they will be successful in attracting qualified personnel, there are no guarantees in this regard.

III. Financial history

ZoomMed and its Subsidiary operate a developing business. As such, one cannot rely on their financial history to assess the likelihood of their meeting forecast revenues or other financial forecasts.

IV. Future financing

New system development and its distribution in the targeted markets require important investments. ZoomMed's business strategy might require additional financing, among others. There can be no assurance that funds will be available or that funds will be available on suitable terms. If ZoomMed fails to raise the necessary funds, it will have to suspend or even end its development projects.

ADDITIONAL INFORMATION

ZoomMed's common shares are trading on the TSX Venture Exchange under the symbol “ZMD”.

CONTINUOUS DISCLOSURE AND SUPPLEMENTARY INFORMATION

ZoomMed files its consolidated financial statements, its management's discussion and analysis, its press releases and other required filing documents on SEDAR's database at www.sedar.com.