Interim MD&A for the period ended August 31, 2012

2012 : The ZRx Prescriber reaches new frontiers

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis explains ZoomMed Inc.'s consolidated comprehensive income, financial position and cash flows situation for the three-month periods ended August 31, 2012 and August 31, 2011. It must be read in conjunction with the non-audited consolidated financial statements and its accompanying notes as at August 31, 2012 and August 31, 2011. Some operating results, financial position and cash flows situation were also compared with information from fiscal year ended May 31, 2012.

Management prepared this report by taking into account all available information as at October 19, 2012. This Management's Discussion and Analysis report includes ZoomMed Inc. and its subsidiaries (the "Company") financial position.

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

This Management's Discussion and Analysis report may contain information and statements on the future performance of the Company which are forward-looking in nature. These statements reflect Management's best assessment for assumptions made regarding future events. Thus readers are hereby cautioned that actual results may differ materially.

This Management's Discussion and Analysis and the interim consolidated financial statements were submitted to the Audit Committee and approved by the Board of Directors.

BUSINESS DESCRIPTION

ZoomMed Inc. ("ZoomMed") was incorporated under the Canada Business Corporations Act on February 24, 2005.

ZoomMed Inc. and its subsidiaries (the "Company") are committed to the development and the marketing of a broad range of computer applications designed for healthcare professionals.

The Company has developed the "ZRx Prescriber", a technological innovative Web application that enables physicians to use a wireless device, such as IPhone™, IPad™, Google Android™ or computers, to write and rapidly deliver scripts. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR).

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

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

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

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

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

COMPREHENSIVE INCOME

SELECTED INTERIM INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME	August 31, 2012	August 31, 2011
Operating revenue	$ 1,021,931	$ 565,639
Selling expenses	$ 157,077	$ 271,166
Administrative expenses	$ 371,532	$ 344,591
General operating expenses	$ 162,798	$ 307,025
Development costs	$ 213,303	$ 254,293
EBITDA	**$ 117,221**	**$ (611,436)**
Financial expenses	$ 85,380	$ 3,622
Amortization	$ 133,332	$ 140,773
Net loss and comprehensive income	$ (101,491)	$ (755,831)
Basic and diluted net earnings per share	$ (0.001)	$ (0.006)
Weighted average number of outstanding common shares	130,474,687	130,474,687

Operating revenue, for the three-month periods ended August 31, 2012 and 2011, which mainly consist of revenue generated by the e-Pic Communication Network, have increased by more than 80%. These contracts are primarily for a period of twelve months and are recognized using the straight-line method over their duration. As a result, a part of operating revenue is recorded in liabilities as deferred revenue.

During the period, sales efforts have been primarily aimed at the American market.

Administrative expenses have decreased, given that a non-recurring stock-based compensation charge of $107,240 was recorded for the three-month period ended August 31, 2012, compared to no similar charge for the corresponding period of 2011.

General operating expenses are $162,798 for the three-month period ended August 31, 2012 and $307,025 for the three-month period ended August 31, 2011.

Development costs remained stable over the past two quarters. ZRx Prescriber's development costs are recorded under two methods; one portion (new functionalities) is capitalized according to future economic benefits from development costs and the other portion is recorded as expenses. For the three-month period ended August 31, 2012, capitalized development costs were $112,971 and for the three-month period ended august 31, 2011 capitalized development costs were $151,871.

The Company generated a positive EBITDA of $117,221 for the three-month period ended August 31, 2012 compared to $(611,436) for the three-month period ended August 31, 2011. A positive EBITDA is a performance indicator of profitability of operations and is resulting from the efforts made since the beginning of operations.

The increase in financial expenses is primarily attributable to interest expenses in connection with the debenture issued on September 30, 2011.

The Company recorded a net operating loss of $101,491 for the three-month period ended August 31, 2012, compared to $755,831 for the three-month period ended August 31, 2011.

The Company recorded a $0.001 loss per share for the three-month period ended August 31, 2012 and $0.006 for the three-month period ended August 31, 2011.

FINANCIAL POSITION

STATEMENTS OF FINANCIAL POSITION	August 31, 2012	May 31, 2012
Cash and cash equivalents	$ 880,607	$ 1,464,714
Working capital	$ (1,078,955)	$ (913,306)
Fixed assets	$ 188,546	$ 219,897
Intangible assets	$ 3,043,662	$ 3,025,949
Interest in joint venture	$ 4,000	$ 4,000
Total assets	$ 4,652,188	$ 5,196,855
Deferred revenues (short and long term)	$ 2,249,786	$ 2,590,272
Liability component of convertible debenture	$ 1,357,217	$ 1,329,028
Shareholders' equity	$ 587,536	$ 581,787
Share capital	$ 25,438,120	$ 25,438,120

The net change in cash is the result of the Company's current operations. No specific transaction was completed during the three-month period ended August 31, 2012.

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

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

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

Deferred revenue as at August 31, 2012 and May 31, 2012 are comparable. The majority of these contracts are for a twelve-month period and have to be recognized on a straight-line basis over the duration of the agreements, therefore generating deferred revenue that, even if it is a positive sign, reflect negatively on the working capital as they are mainly recorded as current liabilities.

The Company's shareholders equity remained constant, totalling $587,536 as at August 31, 2012 and $581,787 as at May 31, 2012.

CASH FLOWS

CASH FLOWS SITUATION	August 31, 2012	August 31, 2011
Cash flows used in operating activities	$ (479,844)	$ (1,288,841)
Cash flows from financing activities	$ -	$ -
Cash flows used in investment activities	$ (104,263)	$ (168,021)
Net change in cash and cash equivalents	$ (584,107)	$ (1,456,862)
Cash and cash equivalents, end of year	$ 880,607	$ 241,162

Cash flows used for operating activities amounted to $(479,844) for the three-month period ended August 31, 2012 and $(1,288,841) for the three-month period ended August 31, 2011.

For the three-month periods ended August 31, 2012 and August 31, 2011, there was no financing activity.
For the three-month periods ended August 31, 2012 and August 31, 2011, cash flows from investing activities of $(104,263) and $(168,021) are related to the acquisition of fixed assets and the capitalization of development costs.

The net change in cash and cash equivalents from these three types of activities amounted to $(584,107) for the three-month period ended August, 31 2012 and $(1,456,862) for the three-month period ended August 31, 2011.

LIQUIDITY

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund part or all of particular product development programs. Financing could include the incurrence of debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available. The Company manages this risk by establishing detailed cash flows forecasts, as well as long-term operating and strategic plans. According to these forecasts, most of its cash flows for operating activities will be generated by the ZRx Prescriber, PraxisLab and the e-Pic Communication Network.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTIES

a) Key management compensation

Key management is those persons having authority and responsibility for planning, managing and controlling the Company's activities, including the Directors and Executives. Key management participates to the stock option plan. Key management wage compensation, for the three-month period ended August 31, 2012 totalized $111,538 ($150,000 for the three-month period ended August 31, 2011). Furthermore, as at July 20, 2012, 1,250,000 stock options, at a price of $0.10 for a period of 5 years, were awarded to key management and represent a stock-based compensation cost of $35,000.

b) Related party transactions

No related party transactions occurred during the three month period ended August 31, 2012. During the three-month period ended August 31, 2011 the Company paid professional fees totaling $21,630 to one company owned by a shareholder and officer. Accounts payable include an amount of $7,210 for the three-month period ended August 31, 2011.

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 fiscal years ended May 31, 2012 and May 31, 2011, the Company did not record any depreciation as regards to outstanding related party receivables. An assessment is performed at each financial period, by examining the related party financial statements and the market in which the related party operates.

These transactions were made on equivalent terms to those prevailing in the case of transactions subject to normal market conditions.

OUTSTANDING SHARES, WARRANTS AND STOCK OPTIONS AS AT OCTOBER 19, 2012

Common shares	130,474,687
Warrants to agents and investors	18,711,768
Stock options in accordance with the stock option plan	13,012,500

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Financial Instruments

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

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

This standard will be effective for 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.

Reporting entity

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

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

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

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

These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of these standards or determined whether it will adopt the standards early.

Fair value measurement

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Estimated useful life

The management assesses fixed assets in line with the assets useful life. The amount and the related fixed assets amortization timetable for a given period are influenced by their estimated useful life. The estimations are reviewed at least once a year and are updated if the useful life expectations are altered by physical wear, technical and commercial obsolescence.

Intangible assets

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

Valuations performed in connection with post-acquisition assessments of impairment of identifiable intangible assets are based on estimates that include risk-adjusted future cash flows. Projected cash flows are based on business forecasts, trends and expectations and are therefore inherently judgmental. Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

Fair value of stock options

Determining the fair value of the stock options requires judgment related to the choice of a pricing model, the estimation of stock price volatility and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or other components of shareholders' equity.

Government assistance

The Company is entitled to government assistance in the form of research and development tax credits and grants. These are applied against related expenses and the cost of the asset acquired. Tax credits are available based on eligible research and development expenses consisting of direct and indirect expenditures and including a reasonable allocation of overhead expenses. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Further information regarding going concern is outlined in Note 2 of interim consolidated financial statements as at August 31, 2012.

CONTROLS AND PROCEDURES

The Company'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.

The Company'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 internal controls over financial reporting during the most recent fiscal year that have materially affected or are reasonably likely to materially affect internal controls over financial reporting. In conclusion, after analysis of controls and procedures and to the best of their knowledge, the Company's President and Chief Executive Officer and the Chief Financial Officer consider that the controls and procedures are adequate.

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.

Credit risk management

Credit risk is the risk of financial loss for the Company, if a debtor does not meet its obligation. This risk arises mainly from the credit the Company grants its customers in the normal course of its activities.

Credit evaluations are performed continuously and the consolidated statements of financial position reflects a provision for doubtful debts. No qualitative assessment has been made, management has assessed the credit risk was not significant.

Interest rate risk management

The interest rate risk exists in times of fluctuating rates and when differences are expected in the cash flow matching of assets and liabilities.

The Company has no debt bearing interest at variable rates. In addition, it invests part of its liquidity in guaranteed interest rate financial instruments. These financial instruments represent a minimal risk for the Company.

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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly regarding its creditors and its convertible debenture.

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund all or a part of particular product development programs. Private financing could include the incurrence of debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available. The Company manages this risk by establishing detailed cash forecasts, as well as long-term operating and strategic plans. According to these forecasts, most of its cash flows for operating activities will be generated by the ZRx Prescriber, PraxisLab and the e-Pic Communication Network.

Key personnel risk

Recruiting and retaining qualified personnel is essential to the Company's success. The Company believe that it has been successful in recruiting excellent personnel to help it meet their objectives but, as its activities grow, it is possible that additional key personnel in departments like; administration, research and development, as well as marketing will be required. Although the Company believe that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

CONTINUOUS DISCLOSURE AND SUPPLEMENTARY INFORMATION

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