ZOOMMED

Empowering Doctors

The ZRx Prescriber reaches new frontiers

INTERIM CONSOLIDATED FINANCIAL REPORT
AS AT AUGUST 31, 2014 AND MAY 31, 2014

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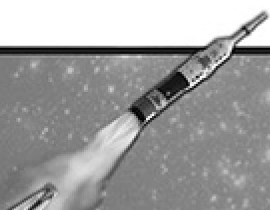


MANAGEMENT COMMENTS

The interim consolidated financial report of ZoomMed Inc. for the three-month periods ended August 31, 2014 and 2013 and all information contained in this interim consolidated financial report is the responsibility of the management and has been approved by the Board of Directors.

The consolidated interim financial report was prepared by the management in accordance with International Financial Reporting Standards ("IFRS") and is consistent with the Company's business.

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

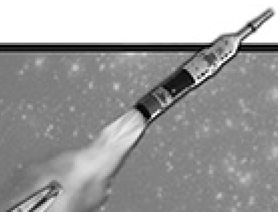
Every year the Board of Directors appoints an Audit Committee composed of a majority of directors who are neither Company officers nor employees. The Audit Committee meets periodically with Management and the external auditors to review their tasks and discuss the audit, accounting policies and related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

The interim consolidated financial report for the three-month periods ended August 31, 2014 and 2013, has not been reviewed or audited by independent auditors.

October 29, 2014

(Signed) Yves Marmet

Yves Marmet,
President & Chief Executive Officer



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)
AS AT AUGUST 31, 2014 AND MAY 31, 2014

	August 31, 2014 (unaudited)	May 31, 2014 (audited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	4,014	159,921
Receivables (Note 7)	279,379	668,202
Prepaid expenses	156,416	19,236
	439,809	847,359
Non-current assets		
Fixed assets (Note 8)	21,025	24,365
Intangible assets (Note 9)	816,242	894,415
Interest in joint venture (Note 11)	-	-
Total assets	1,277,076	1,766,139
LIABILITIES		
Current liabilities		
Payables (Note 12)	2,110,535	1,273,911
Prepaid rental revenue	4,716	-
Deferred revenue	493,629	734,864
Non-convertible debenture (Note 13)	1,796,447	1,783,457
Short-term debt (Note 14)	69,336	377,856
	4,474,663	4,170,088
Non-current liabilities		
Prepaid rental revenue	4,716	-
Lease inducement	3,317	3,593
Total liabilities	4,482,696	4,173,681
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	25,509,437	25,509,437
Contributed surplus	6,568,175	6,568,175
Deficit	(35,283,232)	(34,485,154)
Total equity	(3,205,620)	(2,407,542)
Total liabilities and equity	1,277,076	1,766,139

ON BEHALF OF THE BOARD OF DIRECTORS

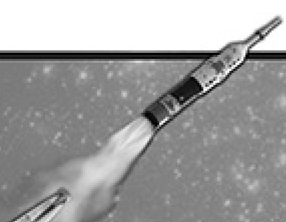
(Signed) Yves Marmet, Chairman of the Board and Chief Executive Officer

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
FOR THE THREE-MONTH PERIODS ENDED AUGUST 31, 2014 AND 2013

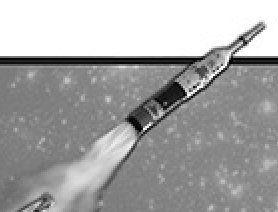
	Share capital	Equity component of convertible debenture	Contributed surplus	Deficit	Total
	$	$	$	$	$
Balance as at May 31, 2014	25,509,437	-	6,568,175	(34,485,154)	(2,407,542)
Net result	-	-	-	(798,078)	(798,078)
Balance as at August 31, 2014	25,509,437	-	6,568,175	(35,283,232)	(3,205,620)

	Share capital	Equity component of convertible debenture	Contributed surplus	Deficit	Total
	$	$	$	$	$
Balance as at May 31, 2013 (Restated - Note 4)	25,438,120	65,686	6,502,489	(29,850,226)	2,156,069
Net result	-	-	-	(1,067,867)	(1,067,867)
Balance as at August 31, 2013	25,438,120	65,686	6,502,489	(30,918,094)	1,088,202



INTERIM CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME (unaudited)
FOR THE THREE-MONTH PERIODS ENDED AUGUST 31, 2014 AND 2013

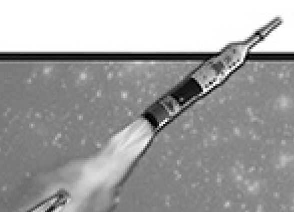
	August 31, 2014 (3 months) (unaudited)	August 31, 2013 (restated) (note 4) (3 months) (unaudited)
	$	$
REVENUE	344,644	535,761
OPERATING EXPENSES (Note 15)		
Selling expenses	224,203	201,306
Administrative expenses	306,230	309,687
General operating expenses	152,068	200,547
Development cost	353,377	521,451
Financial expenses	106,844	101,726
	1,142,722	1,334,717
LOSS BEFORE PROPORTIONATE SHARE IN JOINT VENTURE	(798,078)	(798,956)
Proportionate share of the joint venture's net results	-	(268,912)
LOSS BEFORE INCOME TAXES	(798,078)	(1,067,868)
INCOME TAXES	-	-
NET RESULT AND COMPREHENSIVE INCOME	(798,078)	(1,067,868)
BASIC AND DILUTED NET RESULT PER SHARE	(0.006)	(0.008)
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	135,591,268	130,474,687



INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED AUGUST 31, 2014 AND 2013

	August 31, 2014 (3 months) (unaudited)	August 31, 2013 (Restated) (Note 4) (3 months) (unaudited)
	$	$
OPERATING ACTIVITIES		
Net result	(798,078)	(1,067,868)
Amortization	114,011	164,832
Interest on debenture	-	35,918
Effective interest	14,505	-
Exchange rate variation	(1,515)	-
Proportionate share of profit and loss in joint ventures	-	268,912
Gain on disposal of fixed assets	(575)	(1,439)
Lease inducements	(276)	(277)
	(671,928)	(599,922)
Net change in non-cash operating working capital items	856,465	538,805
Cash flows used in operating activities	184,537	(61,117)
FINANCING ACTIVITIES		
Remboursement sur prêt court terme	(308,520)	-
Cash flows used in financing activities	(308,520)	-
INVESTING ACTIVITIES		
Acquisition of fixed assets	-	(5,655)
Proceeds from disposal of fixed assets	575	1,778
Acquisition of intangible assets	(32,499)	(41,322)
Cash flows used in investing activities	(31,924)	(45,199)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(155,907)	(106,316)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	159,921	365,824
CASH AND CASH EQUIVALENTS, END OF YEAR	4,014	259,508

Cash flows used in operating activities includes interest expenses of $86,911 for the three-month period ended August 31, 2014 and $56,250 for the three-month period ended August 31, 2013.



1. GENERAL INFORMATION

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

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

The Company has developed the “ZRx Prescriber”, a technological innovative Web application that enables physicians to quickly generate prescriptions on their computer, tablet or smartphone. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR).

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

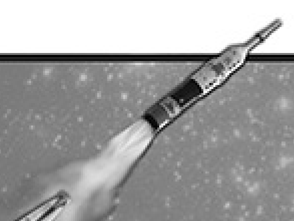
The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

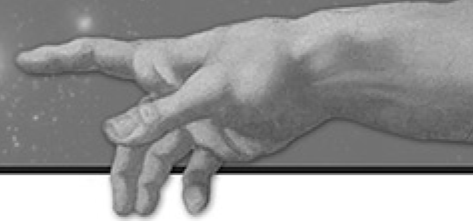
These consolidated financial statements have been approved by the Board of Directors on October 29, 2014.

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

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

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





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of measurement

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

Consolidation

The consolidated financial statements include the accounts of ZoomMed Inc. and its subsidiaries ZoomMed Médical Inc., Praxis Santé Inc., 9205-1051 Québec Inc. and ZoomMed USA Inc. All intercompany balances and transactions are eliminated upon consolidation.

Revenue recognition

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

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

Licensing revenue is recognized when the contract is signed.

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

Financial Instruments

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

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

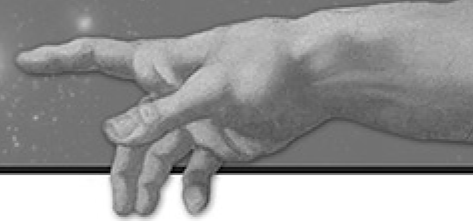
All financial assets, except those designated at fair value through profit or loss, are subject to an annual impairment test and written down when there is an indication of impairment. The impairment loss is the excess of the carrying value over fair value and is recorded in the consolidated statements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

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

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

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

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Compound instruments - The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method.

Cash and cash equivalents

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

Interest in joint ventures

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

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

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

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

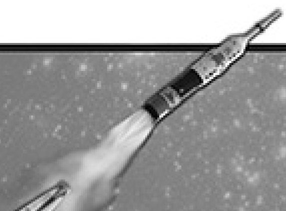
b) Any excess of the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Company's proportionate share of the entity's profit or loss in the period in which the participating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

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

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

Fixed assets

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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

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

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

Intangible assets

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

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

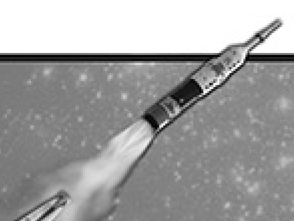
Expenses related to development activities which do not meet generally accepted criteria for deferral and research activities are expensed as incurred. Development expenses, which meet generally, accepted criteria for deferral are capitalized and amortized against income over the estimated period of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

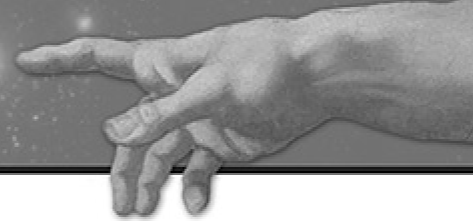
The ZRx Prescriber intellectual property is recorded at cost and is amortized over a ten-year period from the marketing date of the product, which is November 2006. The PraxisLab intellectual property is recorded at cost and is amortized over a ten-year period from the date of acquisition.

The ZRx Prescriber development costs, which include the development of ZoomMed's communication network and the additional new functionalities, according to future economic benefits, are amortized using the straight-line method over a three-year period from the implementation date of the product. PraxisLab development costs are amortized using the straight-line method over a three-year period since the marketing date of the product.

Exchange of assets

Intangible assets acquired through an exchange against one or more non-monetary assets are measured at fair value, unless the exchange transaction has no commercial substance or if it is not possible to assess reliably neither the fair value of the asset received nor the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying value of the asset given.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Research and development tax credits

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

Impairment of long-term assets non-financial

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

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

Lease inducement

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

Operating Leases

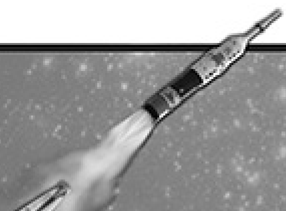
Leases under which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments under an operating lease (less benefit received from the lessor) are recognized in the consolidated statements of comprehensive income on a straight line basis over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

Shareholders' equity

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

Income taxes

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Employee's benefits

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

Stock-based compensation

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

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

Accounts denominated in foreign currencies

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

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

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

Basic and diluted net earnings per share

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

When funds are received, at the date of issuance of dilutive instruments, the net amount is adjusted net of tax expenses related to these instruments. For the three-month periods ended August 31, 2014 and 2013, the conversion of the debenture into common shares is anti-dilutive.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Adoption of new accounting policies

IFRS 10- Consolidation
In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements, which replaces SIC-12, Consolidation ad hoc - Entities and parts of IAS 27 Consolidated and Separate Financial Statements relating to the preparation and presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the factor that determines whether an entity should be included in the consolidated financial statements of an entity. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 is effective on January 1st, 2013. The adoption of this standard had no impact on the consolidated financial statements of the Company.

IFRS 11 – Joint venture
In May 2011 (amended in June 2012), the IASB issued IFRS 11 which replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 allows making a more accurate view of partnerships, emphasizing the contractual rights and obligations of the partnership rather than the legal form of the latter, as was the case for IAS 31. In addition, under IFRS 11 joint ventures no longer have the freedom to choose the method of equity and the proportionate consolidation; they must now apply the method of the equity method. IFRS 11 is effective on January 1, 2013 and the change has been applied retrospectively in accordance with the transitional rules of IFRS 11. Retrospective application of these changes resulted in no impact on the results or financial position of the Company.

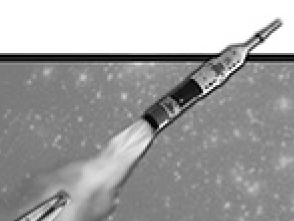
IFRS 12 - Disclosure of Interests in Other Entities
In May 2011 (amended in June 2012), the IASB issued IFRS 12. IFRS 12 is a new and comprehensive standard on requirements to provide information on all forms of interests in other entities, including joint arrangements, associates and structured entities consolidated or not. The term "interest in another entity" means a contractual or non-contractual, which exposes the entity to risk of changes in returns associated with the performance of the other entity. The required disclosures are designed to enable users of financial statements to evaluate the nature of interests in other entities and the risks associated with them, as well as the effects of those interests on the financial position, financial performance, and cash flows of the entity. IFRS 12 is effective on January 1st, 2013. The new requirements are presented in Note 11 Participation in joint ventures.

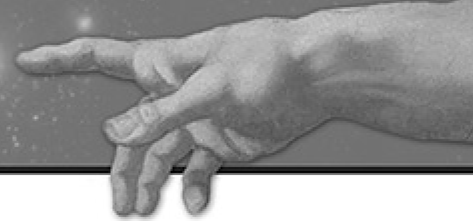
IAS 27 - Separate Financial Statements
The amendment to IAS 27 removes the concepts now contained in IFRS 10, to retain in IAS 27 only the concepts relating to individual financial statements. The Company does not produce separate financial statements and therefore has not undergone any impact relating to the adoption of this amendment. The retrospective application of these changes resulted in no impact on the results or financial position of the Company.

IAS 28 - Investments in Associates and Joint Ventures
Changes were made to IAS 28 to incorporate changes from the issuance of IFRS 10 and IFRS 11, including the fact that joint ventures must now always be accounted for using the equity method. The Company previously accounted for its investments in joint ventures using the equity method, which limited the impact on the application of changes to these standards.

IFRS 13 - Fair Value
In May 2011, the IASB issued IFRS 13 "Fair Value". This standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source for measuring fair value and requirements for disclosure that apply to all IFRS .

IFRS 13 is effective for fiscal years beginning on or after January 1st, 2013, when the Company adopted this new standard. The adoption of IFRS 13 required no adjustment to the valuation techniques used by the Company to estimate the fair value and did not result in any adjustment.





4. CORRECTIONS OF PRIOR PERIOD ERRORS

The Company has restated the 2013 financial statements as follows:

a) Adjustment to the interest in joint ventures

Proportionate share of unrealized gain on the sale of a license
The company found an error in the original determination of the profit to be recognized immediately upon the sale of the exclusive license ZRx Prescriber for the American market to the joint venture EvEMR Inc. As required by IAS 28.31 Investments in Associates and Joint Ventures, the entire portion of the gain or loss on the contributed non-monetary assets resulting from monetary assets received should be recorded. The unrealized gain should have been $915,089 instead of $1,600,728, as presented in the 2013 financial statements previously published.

Proportionate share of the joint venture's net results
The proportionate share of the joint venture's net results has been restated downward for the fiscal year ended May 31, 2013. The decrease in the proportionate share of unrealized gain on the sale of a license ($685,639) and the decrease in the amortization of unrealized gain on the sale of a license ($19,046) result in a decrease of the proportionate share of the joint venture's net results totaling $57,137. As a result, the proportionate share of the joint venture's net results of $268,912 is recorded in the interim consolidated financial statements for the three-month period ended August 31, 2013.

The effect of the restatements regarding the interim consolidated statements of net income and comprehensive income, for the three-month period ended August 31, 2013, is as follows:

	Previously established August 31, 2013	Adjustments	Restated August 31, 2013
	$	$	$
Proportionate share of net results of the joint ventures	211,775	57,137	268,912

The effect of the restatements regarding the interim consolidated statements of cash flow for the three-month period ended August 31, 2013, is as follows:

	Previously established August 31, 2013	Adjustments	Restated August 31, 2013
	$	$	$
Proportionate share of net results of the joint ventures	(211,775)	(57,137)	(268,912)

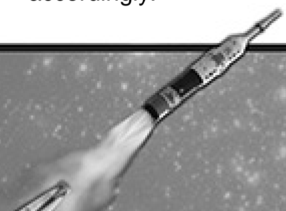
b) Adjustments of intangible assets

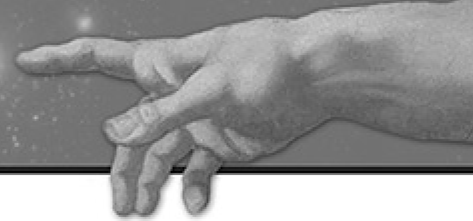
Development costs of Intangible asset; *PraxisLab* software (pharmacy management software)

An error occurred during the annual impairment testing of PraxisLab software as at May 31, 2013. When running the test, a global assessment of intangible assets was performed, whereas two separate cash generating units should have been identified, which are the ZRx Prescriber and PraxisLab software. Cash flows generated from the sales of these two products are not linked, because they are different in nature and are not aimed at the same clientele (the first for physicians and pharmacies for the second). It was therefore incorrect to consider them as a whole and only perform an overall impairment test as at May 31, 2013.

Depreciation

The depreciation of $ 617,660 resulting from PraxisLab software impairment testing, as at May 31, 2013, involves a restatement in the financial statements for the three-month period ended August 31, 2013. Development costs were entirely recognized as expenses and the amortization charge was adjusted accordingly.





4. CORRECTIONS OF PRIOR PERIOD ERRORS (CONT.)

The effect of the restatements regarding the interim consolidated statements of net income and comprehensive income, for the three-month period ended August 31, 2013, is as follows:

	Previously established August 31, 2013	Adjustments	Restated August 31, 2013
	$	$	$
Development cost	504,312	17,139	521,451

The effect of the restatements regarding the interim consolidated statements of cash flow for the three-month period ended August 31, 2013, is as follows:

	Previously established August 31, 2013	Adjustments	Restated August 31, 2013
	$	$	$
Amortization	221,159	(56,327)	164,832
Acquisition of intangible assets	(114,787)	73,465	(41,322)

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

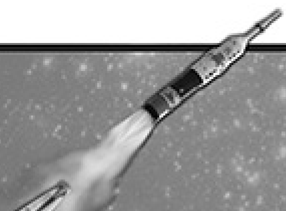
IFRS 9 - Financial Instruments

In October 2010, the IASB issued IFRS 9 "Financial Instruments" which is the completion of the first phase of a three-part project to replace IAS 39 "Financial Instruments: Recognition and Measurement", with a new standard . According to recent updates to IFRS 9, an entity that chooses to measure a liability at fair value will present the portion of changes in fair value of the liability that is attributable to changes in credit risk of that entity in other comprehensive income rather than through net income. The third part covering the impairment of financial assets is still being developed.

In November 2013, the IASB issued the section on hedge accounting, which introduces a new model for hedge accounting.

Also, 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 approach recommended by 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 was originally to be applied to financial statements for annual periods beginning on or after January 1st, 2015. However, in November 2013, the IASB issued a revised draft of IFRS 9 edition, and the date of adoption of this standard was withdrawn. For now, no effective date of adoption of IFRS 9 was mentioned as long as all the projects in this standard will not be completed. The Company intends to adopt the new standard from the date of entry into force. The Company will study the impact of this standard on the consolidated financial statements when it is officially published.



6. 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 life are determined by applying significant estimates and assumptions.

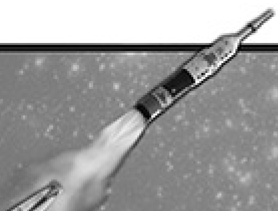
Valuations performed in connection with post-acquisition assessments of impairment of identifiable intangible assets are based on estimates that include risk-adjusted future cash flows. Projected cash flows are based on business forecasts, trends and expectations and are therefore inherently judgmental.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

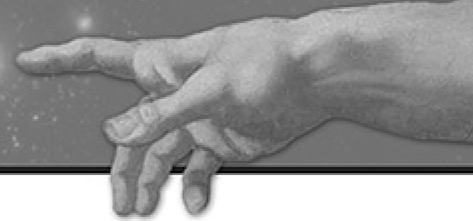
Fair value of stock options

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

Government assistance

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





6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

Definitions of cash generating units

The determination of cash generating units requires judgment in determining the lowest level for which there are largely independent cash inflows generated by the asset group level. This determination could have an impact on the results of impairment testing and, as appropriate, on the impairment charge recorded in the consolidated statements of net income and comprehensive income.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The current situation indicates the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. Further information regarding going concern is outlined in note 2. (See Note 24 – Subsequent event after closing date).

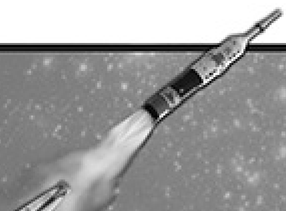
7. ACCOUNTS RECEIVABLE

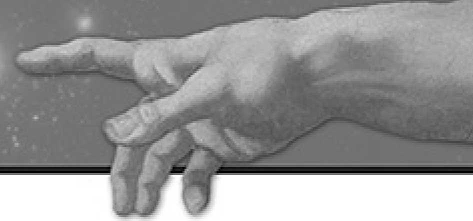
	August 31, 2014	May 31, 2014
	$	$
Accounts receivable [(1)]	1,843	38,202
Sales tax	47,536	-
Research and development tax credits [(2)]	230,000	630,000
	279,379	668,202

(1) No impairment was required on accounts receivable as of August 31, 2014 and May 31, 2014. The company's net book value of accounts receivable is $1,843 ($38,202 as at May 31, 2014) at the closing date. The terms of these accounts receivable are detailed in the following table:

Breakdown of accounts receivable :	August 31, 2014	May 31, 2014
	$	$
0 to 30 days	826	36,977
31 to 60 days	-	431
61 to 90 days	-	201
More than 90 days	1,017	593
	1,843	38,202

(2) The exact amount will be known when Revenu Québec will process and approve the claim. Approved amount could differ from the recorded amount.

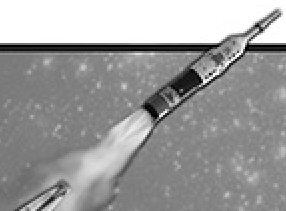


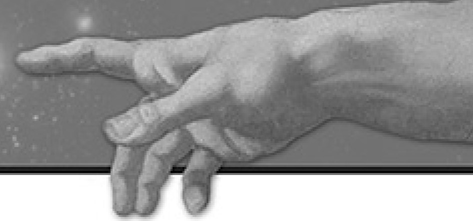


8. FIXED ASSETS

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2014	102,340	161,709	1,485,246	61,586	1,810,881
Disposals	-	-	(7,307)	-	(7,307)
As at August 31, 2014	102,340	161,709	1,477,939	61,586	1,803,574
Accumulated amortization					
As at June 1, 2014	99,975	151,288	1,473,667	61,586	1,786,516
Amortization	270	1,491	1,579	-	3,340
Disposals	-	-	(7,307)	-	(7,307)
As at August 31, 2014	100,245	152,779	1,467,939	61,586	1,782,549
Net book value as at August 31, 2014	2,095	8,930	10,000	-	21,025

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2013	150,792	213,487	1,551,545	61,586	1,977,410
Acquisitions	-	4,463	9,692	-	14,155
Disposals	(48,452)	(56,241)	(75,991)	-	(180,684)
As at May 31, 2014	102,340	161,709	1,485,246	61,586	1,810,881
Accumulated amortization					
As at June 1, 2013	146,929	193,455	1,484,068	61,586	1,886,038
Amortization	1,498	13,613	64,440	-	79,551
Disposals	(48,452)	(55,780)	(74,841)	-	(179,073)
As at May 31, 2014	99,975	151,288	1,473,667	61,586	1,786,516
Net book value as at May 31, 2014	2,365	10,421	11,579	-	24,365





9. INTANGIBLE ASSETS

	Website	Software	Licenses and rights	Intellectual properties (1)	Development costs (1) & (2)	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2014	26,200	4,322	175,000	3,417,736	3,328,347	6,057,605
Acquisitions	-	-	-	-	32,499	32,499
As at August 31, 2014	26,200	4,322	175,000	3,417,736	3,360,846	6,984,104
Accumulated Amortization and Depreciation						
As at June 1, 2014	26,200	4,322	175,000	2,854,252	2,997,416	6,057,190
Amortization	-	-	-	56,349	54,323	110,672
As at August 31, 2014	26,200	4,322	175,000	2,910,601	3,051,739	6,167,863
Net book value as at August 31, 2014	-	-	-	507,135	309,107	816,242

	Website	Software	Licenses and rights	Intellectual properties (1)	Development costs (1) & (2)	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2013	26,200	4,322	175,000	3,417,736	3,084,683	6,707,941
Acquisitions	-	-	-	-	243,664	243,664
As at May 31, 2014	26,200	4,322	175,000	3,417,736	3,328,347	6,951,605
Accumulated Amortization and Depreciation						
As at June 1, 2013	26,200	4,322	175,000	1,726,912	2,368,004	4,300,438
Amortization	-	-	-	341,773	308,322	650,095
Depreciation	-	-	-	785,567	321,090	1 106 657
As at May 31, 2014	26,200	4,322	175,000	2 854 252	2 997 416	6 057 190
Net book value as at May 31, 2014	-	-	-	563,484	330,931	894,415

(1) For the fiscal year ended May 31, 2014, the Company performed an annual impairment test for the PraxisLab laboratory management software. The result was inconclusive and an impairment loss for all of its intellectual property and development expenses was recognized ($617,660, as at May 31, 2013). In the future, if there is a change in market valuation, a reversal of the impairment loss will be recorded.

10. IMPAIRMENT OF ASSETS

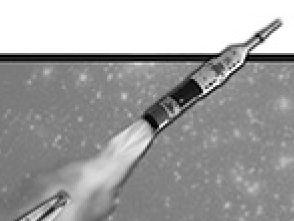
Valuation method

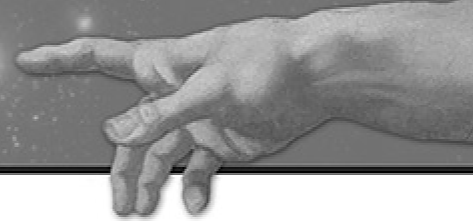
The Company uses the present value of estimated future cash flows method to determine the value in use of each CGU. Since the last impairment test, the Company has not made any change in the valuation method used to assess impairment of intangible assets.

a) Intangible assets

Main assumption - Discount rate

The estimated future cash flows were discounted at a rate of 19.5% for the two cash generating units, which is the incremental borrowing rate of the Company and the most relevant, since it is an asset. It reflects the current market assessment of the time value of money and the specific risks regarding the assets.





10. IMPAIRMENT OF ASSETS (CONT.)

Impairment test

PraxisLab

In November 2013, a significant event in relation with the intangible asset PraxisLab occurred. An undivided co-ownership of intellectual property was sold to a Quebec pharmacy chain.

Since this sale was not part of the estimated future cash flows of this asset, management believes that it does not affect the estimated future cash flows of PraxisLab software and, therefore, recoverable value is greater than the book value at that date. There was therefore no need to depreciate the PraxisLab in the second quarter.

As at May 31, 2014, the company had to revise its estimated future cash flows and perform an impairment test of PraxisLab as specified in its accounting methods. The management of the company has found that new circumstances led them to reconsider the assumptions leading to the evaluation of the value in use of PraxisLab significantly. As of year-end, the Company held a letter of intent from Telus Health, issued May 6, 2014, regarding the acquisition of its Canadian market assets. Given the seriousness of the ongoing discussions, management has assumed that it would be realized and considered it in its estimates as at May 31, 2014.

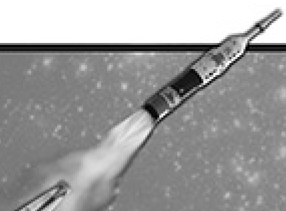
Given that the cash-generating unit of PraxisLab laboratory management software is primarily designed for the Canadian market, the company has assessed that the best estimate of cash flows was $Nil and, therefore, its value in use was nil. This value being less than the carrying value of $1,106,657, at that date, an asset impairment of this amount was recognized as a result of the impairment test.

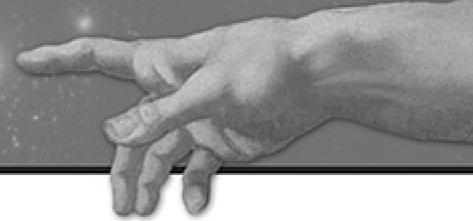
Specifically, it is an asset impairment of $785,567 for intellectual property and $321,090 for capitalized development costs, as reflected in the following table:

	Intellectual properties	Development cost	Total
	$	$	$
Cost			
As at June 1st, 2013	1,163,802	1,099,297	2,263,099
Acquisitions	-	-	-
As at May 31, 2014	1,163,802	1,099,297	2,263,099
Accumulated Amortization and Depreciation			
As at June 1st, 2013	261,856	617,660	879,515
Amortization	116,380	160,547	276,926
Depreciation	785,567	321,090	1,106,657
As at May 31, 2014	1,163,802	1,099,297	2,263,099
Net book value as at May 31, 2014	-	-	-

ZRx Prescriber

As regards to the ZRx Prescriber cash-generating unit, its estimated recoverable amount according to the value in use is greater than its carrying value, as at May 31, 2014. The assumptions used in the valuation include, among others, short-term sales on the Canadian market, completing short-term sale to Telus Health and sales on the international market. The completion of the impairment test leads to the conclusion that the carrying value exceeds the recoverable amount and therefore no impairment was taken for the ZRx Prescriber.





10. IMPAIRMENT OF ASSETS (CONT.)

b) Impairment of assets of the joint venture EvEMR Inc.

The ZRx Prescriber marketing right in the United States is the most important intangible asset of the joint venture EvEMR Inc. This is a cash-generating unit and the recoverability test carried out, as at May 31, 2014, takes into account projections specifically bound thereto. As at May 31, 2014, the Company estimates that the best forecast of estimated future cash flows for EvEMR inc. is nil and, therefore, its value is nil. No discount rate has to be determined, as the estimated future cash flows are nil. No marketing plan is contemplated in the foreseeable future. The recoverable amount being less than the carrying value of $3,872,144 at that date, an impairment of the entire amount ($3,872,144) was recognized in the statement of net income and comprehensive income subsequent to the completion of this impairment test, as at May 31, 2014. The joint venture EvEMR inc. therefore proceeded to a complete depreciation of its intangible assets:

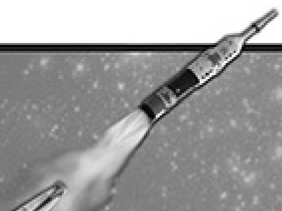
	Licence	Development cost	Total
	$	$	$
Cost			
As at June 1st, 2013	3,594,103	1,436,283	5,030,386
Acquisitions	-	-	-
As at May 31, 2014	3,594,103	1,436,283	5,030,386
Accumulated Amortization and Depreciation			
As at June 1st, 2013	100,483	12,320	112,803
Amortization	933,522	111,917	1,045,439
Depreciation	2,560,098	1,312,046	3,872,144
As at May 31, 2014	3,594,103	1,436,283	5,030,386
Net book value as at May 31, 2014	-	-	-

c) Impairment of the interest in the joint venture EvEMR International

The joint venture EvEMR International was established to distribute products for behavioral health care professionals on the international market. More than a year after its establishment, no commercial activity has been generated. As at May 31, 2014, no concrete development plan was prepared and the potential to generate future cash flows is not sufficiently predictable to consider that the joint venture is an asset to the Company. The joint venture has no intention, in the foreseeable future, to develop a marketing strategy.

As at May 31, 2014, the Company assessed that the best forecast of estimated future cash flows for EvEMR International was is nil and, therefore, its utility value was nil. This value being less than the carrying value of $39,510 at that date, an impairment of the entire amount ($39,510) was recognized in the statement of net income and comprehensive income subsequent to the completion of this impairment test, as at May 31, 2014. The impact on the value of the interest in joint venture is as follows:

	Total
	$
As at June 1st 2013	-
Interest in joint venture	39,510
Depreciation	(39,510)
As at May 31, 2014	-



11. INTEREST IN JOINT VENTURES

a) EvEMR Inc.

The American joint venture EvEMR Inc., based in Washington D.C., markets throughout North America an Electronic Medical Record (EMR) designed for all behavioural health providers.

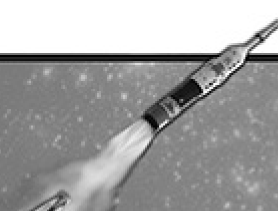
On April 22, 2013, the Company signed with EvEMR Inc., an Exclusive License Agreement regarding the rights to distribute, license and sub-license the ZRx Prescriber in the United States. In consideration of the grant of the license, EvEMR Inc. has agreed to pay to the Company; a cash amount of U.S. $1,500,000, issued to the Company, two million (2,000,000) preferred shares for an amount of U.S. $2,000,000 and two million (2,000,000) participating, non-voting shares in the capital stock of EvEMR Inc., representing an additional 10% of the total economic interest in EvEMR Inc.

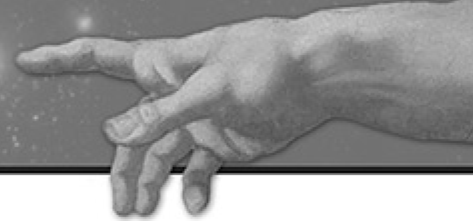
The Company holds 50% of the participating shares and 50% of the voting shares in the joint venture EvEMR Inc. The joint venture fiscal year is December 31.

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

	August 31, 2014	May 31, 2014
	$	$
Current assets	25,654	25,654
Non-current assets	11,097	11,097
Total assets	36,751	36,751
Current liabilities	66,874	66,874
Non-current liabilities	803,290	803,290
Total liabilities	870,164	870,164
Net assets	(833,413)	(833,413)
Proportionate share of unrealized gain on the sale of a license	(915,089)	(915,089)
Amortization of unrealized gain on the sale of a license	254,191	254,191
Dividends	-	(33,418)
Proportionate share of net losses not recognised [1]	1,561,147	1,527,729
Interest in joint venture	-	-
Total revenue	-	42,651
Total expenses	-	2,818,520
Net Results	-	(2,775,869)
Amortization of unrealized gain on the sale of a license	-	228,772
Proportionate share of net losses not recognised [1]	-	1,527,729
Proportionate share of net result of the joint venture	-	(1,019,368)

[1] The 50% interest in EvEMR Inc. is nil as at August 31, 2014 and as at May 31, 2014. The Company did not recognized additional proportionate share of net losses beyond its participation, to the extent that it has no obligation to cover these losses.





11. INTEREST IN JOINT VENTURES (CONT.)

b) EvEMR International

Since October 23, 2012, the Company holds 50% of the equity shares and 50% of the voting shares in EvEMR International joint venture, which was established to distribute products designed for all behavioral health providers throughout the world. The joint venture fiscal year is December 31. The aggregate amount of current assets, non-current assets, current liabilities, non-current liabilities products and expenses related to the participation in EvEMR International are as follows:

	August 31, 2014	May 31, 2014
	$	$
Current assets	65,301	65,301
Non-current assets	341,725	341,725
Total assets	407,026	407,026
Current liabilities	6,301	6,301
Non-current liabilities	361,215	361,215
Total Liabilities	367,516	367,516
Net assets	39,510	39,510
Depreciation[1]	(39,510)	(39,510)
Interest in joint venture	-	-
Total revenue	-	53,768
Total expenses	-	14,258
Net results	-	39,510
Proportionate share of net result of the joint venture	-	39,510

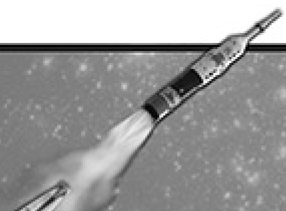
[1] For the fiscal year ended May 31, 2014, the Company performed an annual impairment test. The result of this test was not conclusive and an impairment for the entire investment was recognized.

12. ACCOUNTS PAYABLE

	August 31, 2014	May 31, 2014
	$	$
Accounts payable and accrued liabilities	1,601,751	752,442
Wages and tax deductions	508,784	304,601
Sales tax	-	216,868
	2,110,535	1,273,911

13. NON-CONVERTIBLE DEBENTURE

On October 30, 2013, the Company issued a secured debenture with a nominal value of US $1,664,319 and a premium to the lender of 4,607,795 common shares of the share capital of the company. The debenture bears interest at a nominal rate of 17% per year. It is repayable in monthly capital installments of US $60,000 plus interest, from January 31, 2014 and matures in December 2014. The debenture is redeemable prior to maturity, in whole or in part, by the Company after a two days' notice to the lender. The debenture is secured by a movable hypothec charging the universality of the Corporation’s present and after-acquired movable property, corporeal and incorporeal.



13. NON-CONVERTIBLE DEBENTURE (CONT.)

The net proceeds from the issuance of the non-convertible debenture has been separated into a liability component and an equity component representing the residual amount attributable to the premium to the lender, as shown in the following table:

Proceeds from issuance	$	1,712,085
Fair value of the liability component, at the date of issue, for a similar instrument that does not have a premium to the lender as an equity component		(1,666,207)
Fair value of the equity component	$	45,878

The liability component of $ 1,666,207 is measured at amortized cost, using the effective interest method, of 19.5%. The equity component of $ 45,878 is recorded in the capital component as equity component of non-convertible debenture and led to the issuance of 4,607,795 common shares, as at January 16, 2014.

The difference between the carrying value of the liability component, at the date of issuance, of $1,666,207 and the amount reported in the consolidated statement of financial position, as at August 31, 2014, of $1,796,447, represents the effective interest rate less interest due, plus the exchange rate difference once the debenture is converted at that date.

The interest charge on this loan is calculated by applying an effective interest rate of 19.5%. The liability component is measured at amortized cost.

As at August 31, 2014, the Company was in default to pay principal and interests due. However, the lender has confirmed its tolerance for these exceptions and does not intend to exercise its security rights.

On September 3, 2014, the Company fully repaid the secured debenture and got a complete, full and final release from the lender. (See Note 24, "Subsequent events after closing date")

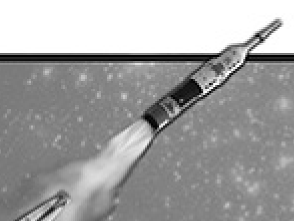
14. SHORT-TERM

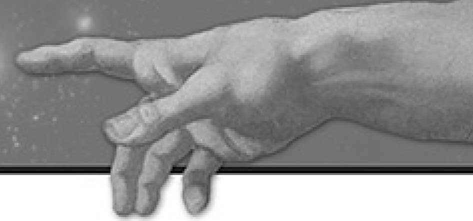
On October 31, 2013, the Company entered into a research and development tax credits financing offer with Investissement Québec.

As at August 31, 2014, the research and development tax credits financing is amounted to $69,336. As at May 31, 2014, the funding is allocated as follows: an amount of $308,520 for the 2013 fiscal year and $69,336 for the fiscal year ending May 31, 2014.

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

The amount of $308,520 was paid in full, on receipt of the tax credit, in June 2014, amounted to $417,723 for the fiscal year ended May 31, 2013 and the amount of $69,336 is repayable in full on receipt of the tax credit, which is estimated at $230,000 for the fiscal year ended May 31, 2014.





15. INFORMATION ON INCOME

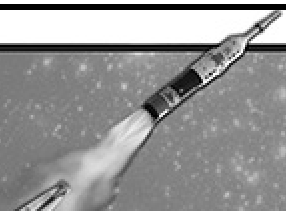
	August 31, 2014	August 31, 2013 (Restated) (Note 4)
	$	$
a) Selling expenses :		
Selling expenses	138,756	82,982
Salaries and benefits	85,018	117,371
Amortization of tangible assets	429	953
	224,203	201,306
b) Administrative expenses :		
Administrative expenses	131,807	149,757
Salaries and benefits	173,948	158,141
Amortization of tangible assets	475	1,789
	306,230	309,687
c) General operating expenses :		
Operating expenses	20,836	17,660
Salaries and benefits	129,224	149,766
Amortization of tangible assets	2,008	33,121
	152,068	200,547
d) Development cost :		
Development cost	13,228	22,278
Salaries and benefits	229,049	370,204
Amortization of tangible assets	429	953
Amortization of intangible assets	110,671	128,016
	353,377	521,451
e) Financial expenses :		
Interest and bank charges	4,903	2,492
Interest on debts	103,377	92,168
Exchange rate variation	(1,436)	7,066
	106,844	101,726

16. COMMITMENTS

As at August 31, 2014, the balance of commitments under operating leases amounts to $438,306.

Minimum lease payments for each of the next three years are as follows:

	2015	2016	2017
	$	$	$
Leasehold – Head Office	125,511	84,061	-
Leasehold – Toronto	65,242	67,315	67,315
Multi-function printers	10,495	10,495	7,872
	201,248	161,871	75,187



17. SHARE CAPITAL

a) Authorized

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

b) Declared

	August 31, 2014	May 31, 2014
	$	$
135,591,268 common shares as at August 31, 2014 and May 31, 2014	25,509,437	25,509,437

c) Transaction during the period ended August 31, 2014

No transaction occurred during the three-month periods ended August 31, 2014.

d) Transaction during 2014

On November 12, 2013, the Company issued 508,786 common shares at a deemed price of $0.05 each as compensation for due diligence services for a total value of $25,439.

On January 16, 2014, the Company issued as a bonus of 4,607,795 common shares in the capital of the company to the lender. This equity component of the non-convertible debenture is valued at $45,878

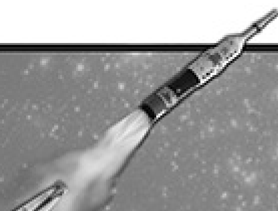
e) Share capital reconciliation

	Number	Declared
		$
Balance as at June 1st, 2013	130,474,687	25,438,120
Issuance of shares as compensation for services	508,786	25,439
Issuance of shares as a bonus to a lender	4,607,795	45,878
Balance as at May 31, 2014	135,591,268	25,509,437
	-	-
Balance as at August 31, 2014	135,591,268	25,509,437

18. STOCK OPTION PLAN

The shareholders of the Company adopted a resolution approving the “rolling” stock option plan of 10% at the annual and special meeting of shareholders held November 29, 2013. Under the plan terms, the exercise price of the options will be determined by the Directors of the Company subject to other restrictions described in the plan and some requirements of the TSX Venture Exchange. The maximum period for which an option can be exercise is limited to five years and the exercise price must be paid in full before the issuance of the shares.

The following table summarizes the changes in the plan position for the three-month period ended August 31, 2014 and the fiscal years ended May 31, 2014:



18. STOCK OPTION PLAN (CONT.)

	Options	Average exercise price
		$
Balance as at June 1, 2013	12,837,500	0.15
Cancelled	(4,745,000)	0.17
Balance as at May 31, 2014	8,092,500	0.14
Cancelled	(852,500)	0.16
Balance as at August 31, 2014	7,240,000	0.14

The following table summarizes the information about the outstanding stock options for the three-month period as at August 31, 2014 and the fiscal years ended May 31, 2014.

a) As at August 31, 2014

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
1,757,500	16	0.20	0.12	1,757,500	0.20
17,500	16	0.20	0.12	17,500	0.20
2,525,000	27	0.15	0.05	2,525,000	0.15
2,940,000	35	0.10	0.04	2,940,000	0.10
7,240,000	28	0.14	0.06	7,240,000	0.14

Transaction during the three-month period ended August 31, 2014

No transaction occurred during the three-month periods ended August 31, 2014.

b) As at May 31, 2014

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
100,000	3	0.32	0.14	100,000	0.32
1,915,000	19	0.20	0.12	1,915,000	0.20
17,500	19	0.20	0.12	17,500	0.20
2,865,000	30	0.15	0.05	2,865,000	0.15
3,195,000	38	0.10	0.04	3,195,000	0.10
8,092,500	30	0.14	0.06	8,092,500	0.14

Transaction during 2014

No transactions occurred during the fiscal year ended May 31, 2014.

19. WARRANTS

The following table summarizes the changes in the plan position for the three-month period ended August 31, 2014 and the fiscal year ended May 31, 2014.

	Warrants	Weighted average Exercise price	Value
		$	$
Balance as at June 1, 2013	10,000,000	0.15	-
Warrants expired	(10,000,000)	0.15	-
Balance as at May 31, 2014	-	-	-
Balance as at August 31, 2014	-	-	-

a) Transaction during the three-month period ended August 31, 2014

No transaction occurred during the three-month periods ended August 31, 2014.

b) Transactions during 2014

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

	August 31, 2014		**May 31, 2014**	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets	$	$	$	$
Cash and cash equivalents	4,014	4,014	159,921	159,921
Loans receivables	1,843	1,843	38,202	38,202
Financial liabilities				
Other liabilities	791,830	791,830	286,187	286,187
Short-term debt	69,336	69,336	377,856	377,856
Non-convertible debenture	1,796,447	1,796,447	1,783,457	1,783,457

The fair value of cash and cash equivalents, loans, receivables and other liabilities approximates their carrying value, because of the relatively short maturity of these instruments.

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are supported by little or no market activities and that are significant to the fair value of assets or liabilities.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

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

21. 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.

a) Risks associated with financial instruments

Credit risk management

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

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

Currency risk management

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. In the normal course of its operations, the Company is exposed to the risk of variations in the exchange rate of the U.S. dollar.

As at August 31, 2014, the Company has the following balances in converted U.S. dollars: cash: $36 and debenture: $1,796,447. As at May 31, 2014, the Company has the following balances in converted U.S. dollars: cash: $88 and debenture: $1,783,457.

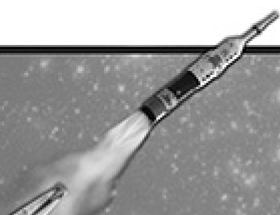
The following table details the sensitivity of the Company to an increase and a decrease of 10% of the foreign currency against the Canadian dollar. The analysis considers only monetary items denominated in the foreign currency and adjusts their conversion to May 31 of each year.

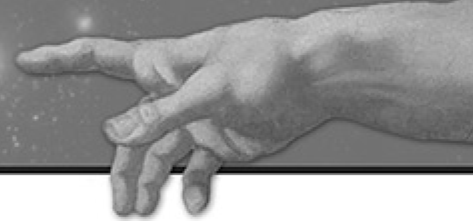
	Effects of variation in the exchange rate of the U.S. dollar against the Canadian dollar			
	10 % increase		**10% decrease**	
	August 31, 2014	May 31, 2014	August 31, 2014	May 31, 2014
	$	$	$	$
Debenture $1,796,447 ($1,783,457 as at May 31, 2014)	1,976,092	1,961,803	1,616,802	1,605,111

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.





21. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONT.)

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, its short-term debt, its non-convertible debenture and its convertible debenture.

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

b) Other risks

Market risk

The future performance of the Company is dependent on the continued popularity of its existing products and its ability to develop and introduce products that gain acceptance and satisfy consumer preferences in targeted markets. The popularity of any of its products may decline over time as consumer preferences change or as new competing products are introduced in targeted markets. The development of new systems and their distribution within the targeted market, require significant investments.

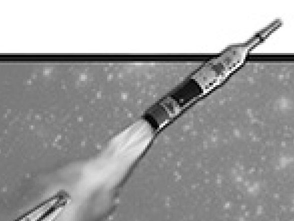
Key personnel risk

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 meet its 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 believes that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

22. CAPITAL DISCLOSURES

In regards to capital management, the Company's objective, from the beginning of its operations, is the continuity of its operations in order to carry on with the development and marketing of the ZRx Prescriber, PraxisLab and ZoomMed's communication network, the protection of its assets, while maximizing the shareholders return on investment. The Company is not subject to any externally imposed capital requirements. The Company has several options regarding its capital needs. See Note 21 for more details.

The Company defines its capital as the sum of its shareholders equity and debenture. The shareholders equity ($3,205,620) as at August 31, 2014 and ($2,407,542) as at May 31, 2014, includes: share capital, equity component of debenture, contributed surplus and deficit. Debenture accounts for $1,796,447 as at August 31, 2014 and $1,783,457 as at May 31, 2014. The $785,088 equity decrease during the three-month period ended August 31, 2014 is primarily due to the loss profit.



23. RELATED PARTY TRANSACTIONS

a) Key management compensation

Key management is those persons having authority and responsibility for planning, managing and controlling the Company's activities, including the Directors and Executives. Key management participates to the stock option plan. Key management wage compensation, for the three-month period ended August 31, 2014 totalized $154,808 ($134,615 for the three-month period ended August 31, 2013).

b) Related party transactions

A director of the Company is a partner in a law firm that acted as legal advisor to the Company. During the three-month period ended August 31, 2014, an amount of $140,851 ($4,264 for the three-month period ended August 31, 2013) was paid to the law firm.

Accounts payable and accrued liabilities include an amount of $25,535 ($15,493 at May 31, 2014) payable to the directors, without repayment terms or interest.

During the fiscal year ended May 31, 2014, the Company received, from a joint venture, a dividend totaling $33,418.

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 three-month periods ended August 31, 2014 and 2013, the Company did not record any depreciation as regards to outstanding related party receivables. An assessment is performed at each financial period, by examining the related party financial statements and the market in which the related party operates.

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

24. SUBSEQUENT EVENT AFTER CLOSING DATE

Sale of certain assets

On September 2, 2014, the Company entered into an agreement to sell an interest in the underlying technology of its ZRx Prescriber for the Canadian market, to share the intellectual property of the ZRx Prescriber for the rest of the world, except the United States and the United Kingdom, along with the sale of some related activities in Canada, to TELUS Health for an amount up to $ 6,800,000, which is a primary sector of the Company in terms of geographical area (Note 25).

The $6,800,000 purchase price terms and conditions include a cash payment of $4,756,371 at closing, $493,629 in adjustments for deferred revenue, $250,000 payable on February 28, 2015 and $1.3 million in contingent payment subject to certain conditions.

The company used the proceeds generated by this transaction as follows:

Repayment of debenture

Dated September 3, 2014, the Company repaid the existing non-convertible debenture in the amount of capital and interest totaling $2,134,866. The company got a complete, full and final release from the lender.

Working capital

The balance has been used as working capital in order to invest in the marketing and deployment of the ZRx Prescriber technology worldwide, giving priority at this time to the US market.

25. SEGMENT REPORTING

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

Information about major customers

Revenue from ordinary activities resulting from transactions with three clients exceeded more than 10% of the total revenue. These clients respectively accounted for $37,500, $84,250 and $90,885 of the Company's total revenue for the three-month period ended August 31, 2014. For the three-month period ended August 31, 2013 revenue from ordinary activities resulting from transactions with two clients exceeded more than 10% of the total revenue. These clients respectively accounted for $181,354 and $223,033 of the Company's total revenue.

For the three-months ended August 31, 2014 and 2013 revenue from operating activities are from Canadian geographical area.

Pursuant to the sale of certain assets, as at September 2, 2014, revenues and cash flows from this geographical area will not be recurrent (Note 24).