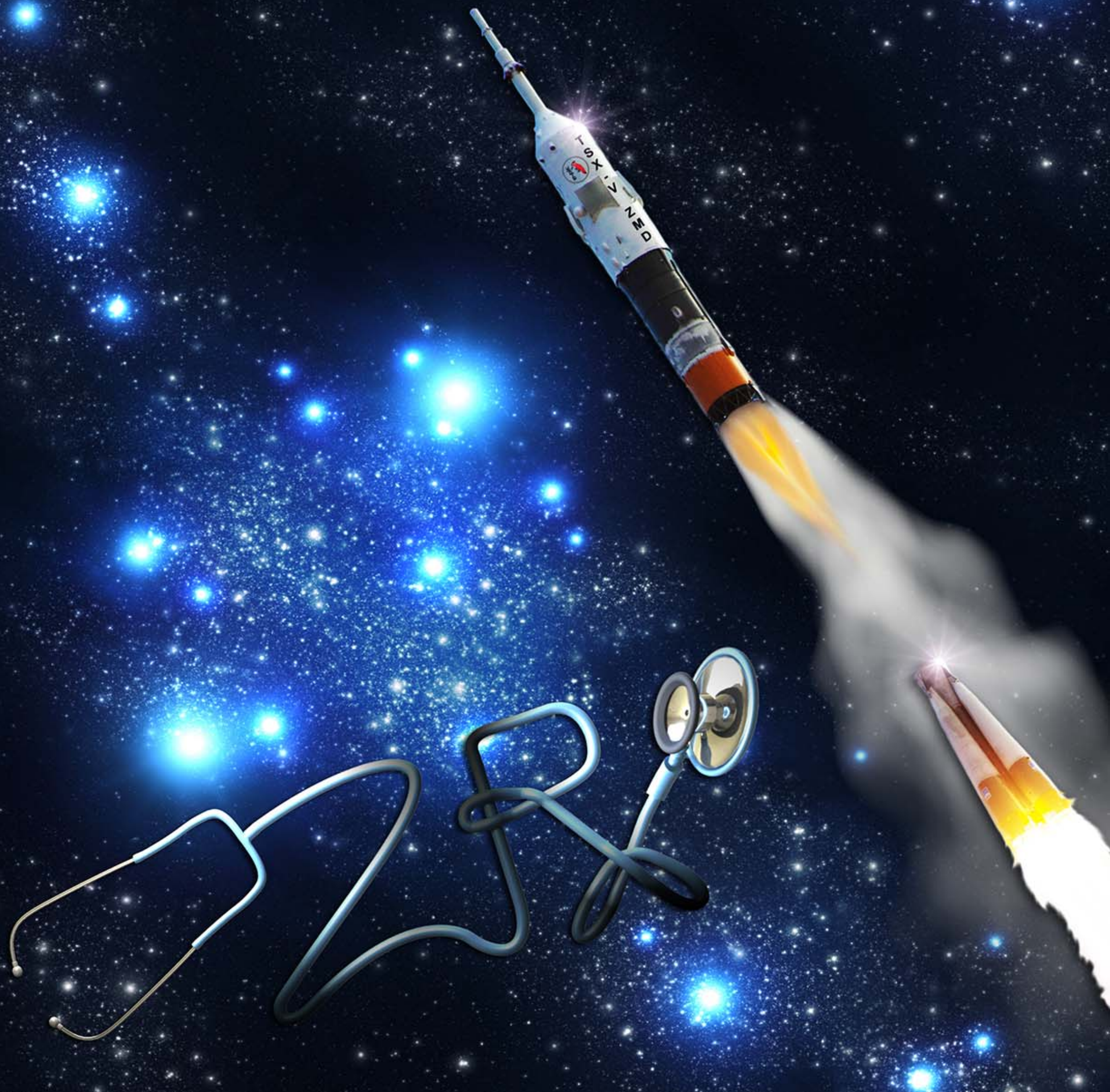
ZOOMMED

Empowering Doctors

MD&A for the year ended May 31, 2014



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 fiscal years ended May 31, 2014 and May 31, 2013. It must be read in conjunction with the audited consolidated financial statements and its accompanying notes as at May 31, 2014 and May 31, 2013. 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 17, 2014. This Management's Discussion and Analysis report includes ZoomMed Inc. and its subsidiaries (the "Company") financial position.

All financial information discussed in this analysis has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in Canadian dollars.

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 audited 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 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" 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.

FINANCIAL POSITION

	May 31, 2014	May 31, 2013 (Restated) [1]	May 31, 2012
Cash and cash equivalents	$ 159,921	$ 365,824	$ 1,464,714
Fixed assets	$ 24,365	$ 91,372	$ 219,897
Intangible assets	$ 894,415	$ 2,407,503	$ 3,025,949
Interest in joint venture	$ -	$ 1,052,786	$ 4,000
Total assets	$ 1,766,139	$ 5,329,855	$ 5,196 855
Deferred revenues (short and long term)	$ 734,864	$ 1,033,110	$ 2,590,272
Non-convertible Debenture	$ 1,783,457	$ -	$ -
Convertible Debenture	$ -	$ 1,452,178	$ 1,329,028
Short term	$ 377,856	$ -	$ -
Shareholders' equity	$ (2,407,542)	$ 2,156,069	$ 581,787
Share capital	$ 25,509,437	$ 25,438,120	$ 25,438,120

[1] For more details see section Corrections of prior errors

For fiscal year ended May 31, 2014 and May 31, 2013, net change in cash and cash equivalents is mainly related to operating and development activities. During the fiscal year ended May 31, 2012, the Company has issued a secured convertible debenture for a principal amount of $1,500,000.

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

Intangible assets decreased since May 31, 2012 explained by an impairment of assets for the pharmacy management software PraxisLab of $617,660 as at May 31, 2013 and $1,106,657 as at May 31, 2014. Following an impairment test as at May 31, 2014, participation in the joint venture has been cancelled. As at May 31, 2013, participation in the joint venture EvEMR Inc. was $1,052,786 compared to $4,000 at the same date in 2012. As at May 31, 2013, the sale of the license for the ZRx Prescriber recorded a profit of $ 3,201,441 of which 70% was recognized at the time of the transaction.

Deferred revenue amounted to $734,864 as at May 31, 2014, $1,033,110 as at May 31, 2013 and $, $2,590,272 as at May 31, 2012. The majority of these contracts is for a twelve-month period and has to be recognized on a straight-line basis over the duration of the agreements, therefore generating deferred revenue.

The Company's shareholders equity totaled $(2,407,542) for the fiscal year ended May 31, 2014, $2,156,069 for fiscal year ended May 31, 2013, $581,787 for the fiscal year ended May 31, 2012. The decrease during the fiscal year ended May 31, 2014 is primarily attributable to the loss for the year including, in particular, a total asset impairment of $ 1,146,167 recorded as a result of annual impairment tests.

NET RESULT AND COMPREHENSIVE INCOME

SELECTED ANNUAL INFORMATION	May 31, 2014	May 31, 2013 (Restated) [1]	May 31, 2012
Operating revenue	$ 1,742,153	$ 7,806,385	$ 2,618,451
Gain on disposal of intangible assets	$ 500,000	$ -	$ -
Selling expenses	$ 672,447	$ 787,998	$ 1,245,344
Administrative expenses	$ 1,150,134	$ 1,402,491	$ 1,693,435
General operating expenses	$ 621,946	$ 867,674	$ 1,251,369
Development costs	$ 1,673,598	$ 1,329,429	$ 1,282,260
Financial expenses	$ 632,931	$ 372,346	$ 231,770
Asset impairment	$ 1,146,167	$ 617,660	$ -
Profit (loss) before proportionate share of the investee's net results	$ (3,655,070)	$ 2,428,787	$ (3,085,727)
Proportionate share of the investee's net results	$ (979,858)	$ (1,007,705)	$ -
Net profit (net loss) and comprehensive income	$ (4,634,928)	$ 1,421,082	$ (3,085,727)
Basic and diluted net earnings per share	$ (0.035)	$ 0.011	$ (0.024)
Weighted average number of outstanding common shares	132,454,939	130,474,687	130,474,687

[1] For more details see section Corrections of prior errors

For fiscal years ended May 31, 2012 and 2014, operating revenue consists of the same type of revenue, revenue generated by ZoomMed's communication network. For fiscal year ended May 31, 2013, in addition to revenue generated by ZoomMed's communication network amounted to $2,849,052, the Company sold a license regarding the rights to distribute, license and sub-license the ZRx Prescriber in the United States, representing a sum of $3,594,118 and the Company made development of specific products representing $1,363,215.

Administrative expenses decreased during last fiscal's years mainly explained by the stock-based compensation. As at May 31, 2012 a charge of $229,890 was recorded as stock-based compensation as well as $153,200 for fiscal year ended May 31, 2013, while no charge was recorded during fiscal year ended May 31, 2014.

Operating expenses totaled $621,946 for the fiscal year 2014, compared to $1,867,674 for the fiscal year 2013 and $1,251,369 for the fiscal year 2012. The operating expenses decrease, during the last two fiscal years, is partly attributable to the use of new technologies that simplifies the deployment of our services, as well as the standardization and computerization of clients training processes.

Development costs totaled $1,673,598 for the fiscal year 2014, compared to $1,329,429 for the fiscal year 2013 and $1,282,260 for the fiscal year 2012. The increase is mainly related to development costs for PraxisLab. Operating activities started during fiscal year 2014 for PraxisLab and development costs are now recorded as expenses.

Financial expenses totaled $632,931 for the fiscal year ended May 31, 2014, $372,346 for the fiscal year ended May 31, 2013 and $231,770 for the fiscal year ended May 31, 2012. The increase during the year ended May 31, 2014 was primarily due to financing costs related to the issuance of the new debenture, and the variation in the exchange rate.

As at May 31, 2013 and 2014. the Company recorded assets impairment for PraxisLab (Pharmacy Management Software) and also for the joint venture which commercializes an Electronic Medical Record (see section Impairment of assets for more details).

The Company recorded a loss before proportionate share in joint venture's net results of $3,655,070 for the fiscal year ended May 31, 2014 a profit before proportionate share in joint venture's net results of $2,428,787 for the fiscal year ended May 31, 2013 and a loss of $3,085,727 for the fiscal year ended May 31, 2012. For the fiscal year ended May 31, 2014, the proportionate share in joint venture's net results is composed of 50% of the loss from EvEMR Inc. amounted to $1,019,368 and 50% of the benefit from EvEMR International amounted to $39,510.

The Company recorded a $0.035 loss per share for the fiscal year ended May 31, 2014, $0.011 net profit per share for the fiscal year ended May 31, 2013 and $0.024 loss per share for the fiscal year ended May 31, 2012.

The following quarterly information is presented on the same basis as in the annual consolidated financial statements. The following amounts accurately correspond to the non-audited quarterly reports and must be read in conjunction with our annual consolidated financial statements and its accompanying notes.

SELECTED QUARTERLY INFORMATION - 2014

NET RESULT AND COMPREHENSIVE INCOME	Q4-2014	Q3-2014	Q2-2014	Q1-2014
Revenues	$ 353,341	$ 295,815	$ 557,236	$ 535,761
Gain on disposal of intangible assets	-	-	500,000	-
Operating expenses	2,048,563	1,040,965	1,490,117	1,317,578
Proportionate share of joint ventures net results	(569,504)	(83,377)	(115,203)	(211,775)
Net result and comprehensive income	$ (2,514,725)	$ (578,527)	$ (548,084)	$ (993,592)
Basic and diluted net earnings per share	$ (0.019)	$ (0.004)	$ (0.004)	$ (0.008)

SELECTED QUARTERLY INFORMATION - 2013

NET RESULT AND COMPREHENSIVE INCOME	Q4-2013 (Restated) (1)	Q3-2013	Q2-2013	Q1-2013
Revenues	$ 4,427,400	$ 1,055,584	$ 1,301,470	$ 1,021,931
Operating expenses	1,720,366	1,307,581	1,226,229	1,123,422
Proportionate share of joint ventures net results	1,007,705	-	-	-
Net result and comprehensive income	$ 1,699,329	$ (251,997)	$ 75,241	$ (101,491)
Basic and diluted net earnings per share	$ 0.018	$ (0.002)	$ 0.001	$ (0.001)

(1) For more details see section Corrections of prior errors

Quarterly results declined in 2014 and are mainly explained by a development contract for specific products ended in April 2013 and the sale of a license during Q4-2013. The significant increase in operating expenses for Q4-2014 and Q4-2013 quarters compared to all other quarters is mainly due to the impairment of assets amounted to $1,146,167 as at May 31, 2014 ($617,660 in May 31, 2013) recorded as a result of annual impairment tests.

STATEMENTS OF CASH FLOWS

CASH FLOWS	May 31, 2014	May 31, 2013 (Restated) (1)	May 31, 2012
Cash flows used in operating activities	$ (1,077,177)	$ (711,179)	$ (1,077,961)
Cash flows from financing activities	$ 589,941	$ -	$ 1,327,827
Cash flows used in investment activities	$ 281,333	$ (387,711)	$ (483,176)
Net change in cash and cash equivalents	$ (205,903)	$ (1,098,890)	$ (233,310)
Cash and cash equivalents, end of year	$ 159,921	$ 365,824	$ 1,464,714

(1) For more details see section Corrections of prior errors

Cash flows used for operating activities amounted to $(1,077,177) in 2014, $(711,179) in 2013, and $(1,077,961) in 2012.

For fiscal year ended May 31, 2014, cash flows used for financing activities amounted to $589,941 and have been used as follow:

a) The Company reimbursed the convertible debenture for an amount of $1,500,000;
b) The Company issued a new non-convertible debenture. This transaction generated a net proceed of $1,712,085;
c) Research and development tax credits financed by « Investissement Québec » generated cash flows of $377,856.

For the fiscal year ended May 31, 2013 there was no financing activity. Cash flows from financing activities, totaling $1,327,827 for fiscal year ended May 31, 2012 is related to the net proceed of a convertible debenture issued in September 2011.

For fiscal year ended May 31, 2014 investment activities are from disposal of intangible assets amounted to $500,000, dividend received from joint venture EvEMR amounted to $33,418 and also from capitalization of development cost for $(252,085). For fiscal year ended May 31, 2014 and May 31, 2012, cash flows from investing activities are related to the acquisition of fixed assets and the capitalization of development cost.

The net change in cash and cash equivalents from these three types of activities amounted to $(205,903) for fiscal year 2014, $(1,098,890) for fiscal year 203 and $(233,310) for fiscal year 2012.

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 ZoomMed's 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.

OUTSTANDING SHARES, WARRANTS AND STOCK OPTIONS AS AT OCTOBER 17, 2014

Common shares	135,591,268
Warrants to agents and investors	-
Stock options in accordance with the stock option plan	6,997,500

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.

CORRECTIONS OF PRIOR PERIOD ERRORS (Note 4 of Consolidated Financial Report)

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.

Amortization of unrealized gain on the sale of a license

The reassessment of the amount of unrealized gain related to the sale of a license to the joint venture EvEMR inc., as described above, also has an impact on the amortized portion during fiscal year 2013 Amortization of unrealized gain should have been $25,419; thus the correction represents a decrease of $19,046 in connection with this adjustment.

Goodwill

An amount of $51,852 was incorrectly recorded when taking into account the sale of the license to the joint venture EvEMR Inc. The latter was derecognized in the consolidated financial statements of the Company as at May 31, 2013.

Interest in joint ventures

The three elements mentioned above have an impact on the value of the interest in joint ventures in the consolidated financial position. The decrease in deferred gain ($685,639), the decrease in amortization of unrealized gain on the sale of a license ($19,046) and the elimination of goodwill ($51,852) have a net impact of $614,741, as at May 31, 2013.The restated interest in joint ventures is $1,052,786.

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 $666,593. As a result, the proportionate share of the joint venture's net results of $1,007,705 is recorded in the 2013 financial statements.

Operating revenue – License revenue

Derecognition of a goodwill amount of $51,852, which was incorrectly recorded when taking into account the sale of the ZRx Prescriber license to the joint venture EvEMR Inc. leads to a decrease in revenue related to the sale. The aggregate restated revenue is $7,806,385, as presented in the "Consolidated statements of net income and of comprehensive income" and the Licensing revenue shown separately in note 27 "Segment reporting" is $3,594,118.

The effect of the restatements regarding interest in joint ventures (Note 11), as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Current assets	552,153	-	552,153
Non-current assets	2,529,925	-	2,529,925
Total assets	3,082,078	-	3,082,078
Current liabilities	494,236	-	494,236
Non-current liabilities	645,386	-	645,386
Total liabilities	1,139,622	-	1,139,622
Net assets	1,942,456	-	1,942,456
Proportionate share of unrealized gain on the sale of a license	(1,600,728)	685,639	(915,089)
Amortization of unrealized gain on the sale of a license	44,465	(19,046)	25,419
Goodwill	51,852	(51,852)	-
Interest in joint venture	438,045	614,741	1,052,786
Total revenue	-	-	-
Total expenses	118,035	-	118,035
Net result	(118,035)	-	(118,035)
Proportionate share of unrealized gain on the sale of a license	(1,600,728)	685,639	(915,089)
Amortization of unrealized gain on the sale of a license	44,465	(19,046)	25,419
Proportionate share of net results of the joint venture	(1,674,298)	666,593	(1,007,705)

The effect of the restatements regarding the consolidated statements of financial position, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Interest in joint ventures	438,045	614,741	1,052,786

The effect of the restatements regarding the consolidated statements of net income and comprehensive income, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Operating revenue – License revenue	7,858,237	(51,852)	7,806,385
Proportionate share of net results of the joint ventures	(1,674,298)	666,593	(1,007,705)

The effect of the restatements regarding note 27 “Segment reporting”, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Licensing revenue	3,645,970	(51,852)	3,594,118

The effect of the restatements regarding the consolidated statements of cash flows, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Proportionate share of net results of the joint ventures	1,674,298	(666,593)	1,007,705
Reinvested proceeds in joint venture	(2,108,343)	51,852	(2,056,491)

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 g;obal 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.

By performing a separate test for the PraxisLab software as at May 31, 2013, the Company found that the recoverable amount of PraxisLab software was less than its carrying value of $617,660 and has therefore restated its financial statements to reflect this decrease in value.

The recoverable amount of PraxisLab software was determined using the value in use. To assess this, the company has established cash flow projections for the next three years, based on budgets approved by the Board of Directors. No forecasts beyond 2016 have been prepared, since the uncertainty about the future development of new markets is too high. These forecasts were prepared based on historical data taking into account the marketing experience the Company acquired in recent years regarding its main product, the technological application ZRx Prescriber.

As at May 31, 2013, the key assumptions used by management to assess the recoverable value include achieving sales forecasts as budgeted, that is to say, one sale to a pharmacy chain each year for the first two years and individual sales to pharmacy owners for three years were taken into account. The specific disbursements regarding the expected sales and disbursements related to client support were evaluated.

Net cash flows have been discounted at a rate of 19.5%, 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 asset.

After this assessment, the value in use of PraxisLab software was estimated at $1,383,584, as at May 31, 2013. The value being less than its carrying value of $2,001,244 at that date, an impairment of asset for $617,660 was recognized.

Depreciation

The depreciation of $ 617,660 resulting from PraxisLab software impairment testing involves adding a distinct item for impairment of assets in the consolidated statements of net income and comprehensive income for the fiscal year ended May 31, 2013.

The effect of the restatements regarding the development costs of Intangible assets (Note 9), as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Cost			
As at June 1st, 2012	2,693,893	-	2,693,893
Acquisitions	390,790	-	390,790
As at May 31, 2013	3,084,683	-	3,084,683
Accumulated Amortization and depreciation			
As at June 1st, 2012	1,700,541	-	1,700,541
Amortization	49,803	-	49,803
Depreciation	-	617,660	617,660
As at May 31, 2013	1,750,344	617,660	2,368,004
Net book value as at May 31, 2013	1,334,339	(617,660)	716,679

The effect of the restatements regarding the consolidated statements of financial position, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Intangible assets	3,025 163	(617,660)	2,407,503

The effect of the restatements regarding the consolidated statements of comprehensive income, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Depreciation	-	617,660	617,660

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED (Note 5 of Consolidated Financial Report)

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Note 6 of Consolidated Financial Report)

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.

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 26 – Subsequent event after closing date).

IMPAIRMENT OF ASSETS (Note 10 of Consolidated Financial Report)

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.

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.

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 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	-

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:

	2014	2013 (Restated) (Note 4)
	$	$
Current assets	25,654	552,153
Non-current assets	11,097	2,529,925
Total assets	36,751	3,082,078
Current liabilities	66,874	494,236
Non-current liabilities	803,290	645,386
Total liabilities	870,164	1,139,622
Net assets	(833,413)	1,942,456
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	25,419
Dividends	(33,418)	-
Proportionate share of net losses not recognised (1)	1,527,729	-
Interest in joint venture	-	1,052,786
Total revenue	42,651	-
Total expenses	2,818,520	118,035
Net Results	(2,775,869)	(118,035)
Proportionate share of unrealized gain on the sale of a license	-	(915,089)
Amortization of unrealized gain on the sale of a license	228,772	25,419
Proportionate share of net losses not recognised (1)	1,527,729	-
Proportionate share of net result of the joint venture	(1,019,368)	(1,007,705)

(1) The 50% interest in EvEMR Inc. is nil as of May 31, 2014 ($1,052,786 as of May 31, 2013). 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.

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 are as follows:

	2014	2013
	$	$
Current assets	65,301	56,952
Non-current assets	341,725	132,236
Total assets	407,026	189,188
Current liabilities	6,301	608

Non-current liabilities	361,215	188,580
Total Liabilities	367,516	189,188
Net assets	39,510	-
Depreciation[(1)]	(39,510)	-
Interest in joint venture	-	-
Total revenue	53,768	4,365
Total expenses	14,258	(4,365)
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.

NON-CONVERTIBLE DEBENTURE (Note 13 of Consolidated Financial Report)

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.

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 May 31, 2014, of $1,783,457, 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 May 31, 2014, the Company was in default to pay principal and interest 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 26, "Subsequent events after closing date")

CONVERTIBLE DEBENTURE (Note 14 Consolidated Financial Report))

On September 30, 2011, the Company has issued a secured convertible debenture for a nominal amount of $1,500,000, such convertible debenture being convertible at the sole option of the holders thereof into common shares of the share capital of the Company based on one common share for each $0.15 in principal amount of convertible debenture. Furthermore, 10,000,000 common shares purchase warrants were issued. Each warrant entitles the holder thereof to purchase one common share at a price of $0.15 per share for 24 months following the closing date. The convertible debenture matures 24 months from the date of issuance or such earlier date which may be provided for as a redemption feature. Subject to certain conditions, the Company may redeem all or any portion of the convertible debenture upon 30 days written notice to the holders thereof in which case such holders may exercise their conversion rights, in whole or in part, prior to the intended date of redemption. The convertible debenture bears a nominal interest rate of 15% per annum and matures in September 2013. The convertible debenture is secured by a movable hypothec on the assets of the Company and a promissory note.

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

Proceeds from issuance	$	1,500,000
Fair value of the liability component, at the date of issue, for a similar instrument that does not have an equity conversion		(1,425,797)
Fair value of the equity component	$	74,203

Issuance costs were proportionally allocated to the liability and the equity components. The $1,262,140 liability component, net from the $163,657 issuance costs, is measured at amortized cost, using 25.35% effective interest method. The $65,686 equity component, net of the $8,517 issuance costs, is shown as equity component of convertible debenture into equity.

Interest expenses on this loan are calculated by applying an effective interest rate of 25.35%. The liability component is measured at amortized cost. The difference between the carrying value of the $1,262,140 liability component, at the date of issuance and the $1,452,1728 as at May 31, 2013 amount presented in the consolidated statement of financial position, as at May 31, 2013, reflects the effective interest rate, less interest paid as of that date.

This debenture was reimbursed in October 2013.

SHORT TERM DEBT (Note 15 of Consolidated Financial Report)

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

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 is repayable in full, on receipt of the tax credit, which is estimated at $400,000 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.

STOCK OPTION PLAN (Note 19 of Consolidated Financial Report)

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.

Transaction during 2014

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

Transaction during 2013

In July 2012, the Company granted 3,830,000 stock options allowing their holders to acquire 3,830,000 common shares, at an exercise price of $0.10 per share, for a period of five years.

The fair value of the stock options awarded during the fiscal year ended May 31, 2013 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

Date	July 20, 2012
Quantity	3,830,000
Stock price	$0.045
Dividend yield	Nil
Expected volatility	158%
Risk-free interest rate	1.15%
Expected life	60 months

The stock-based compensation expense amounts to $153,200 for the fiscal year ended May 31, 2013

RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Note 22 des états financiers consolidés audités)

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 May 31, 2014, the Company has the following balances in converted U.S. dollars: cash: $88 and debenture: $1,783,457. As at May 31, 2013, the Company has the following balances in converted U.S. dollars: cash: $290,603 and accounts receivable: $925,800.

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**	
	2014	2013	2014	2013
	$	$	$	$
Debenture ($1,783,457)	1,961,803	-	1,605,111	-
Prescriber's license ($3,594,118 in 2013)	-	3,953,530	-	3,234,706

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.

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

RELATED PARTY TRANSACTIONS (Note 25 of Consolidated Financial Report)

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 fiscal year ended May 31, 2014 totalized $358,000 ($476,293 for the fiscal year ended May 31, 2013). Furthermore, as at July 20, 2012, 1,350,000 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 $54,000.

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 fiscal year ended May 31, 2013, an amount of $23,736 ($38 223 for the fiscal year ended May 31, 2012) was paid to the law firm.

Accounts payable and accrued liabilities include an amount of $15,493 ($17,110 at May 31, 2013) 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. For the fiscal year ended May 31, 2013, the Company received, from a joint venture, fees totaling $1,342,388 and $3,645,970 relatively to the sale of a prescriber's licence. As at May 31, 2013, receivables include an amount of $925,800 relating to these transactions.

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, 2014 and May 31, 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.

SUBSEQUENT EVENT AFTER CLOSING DATE (Note 26 of Consolidated Financial Report)

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 27).

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.

SEGMENT REPORTING (Note 27 of Consolidated Financial Report

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

Information about major customer

Revenue from ordinary activities resulting from transactions with two clients exceeded more than 10% of the total revenue. These clients respectively accounted for $507,379 and $598,777 of the Company's total revenue for the fiscal year ended May 31, 2014. For the fiscal year ended May 31, 2013, revenue from ordinary activities resulting from transactions with three clients exceeded more than 10% of the total revenue. These clients respectively accounted for $807,231, $834,383 and $1,342,388 of the Company's total revenue.

In 2014, revenue from ordinary activities from multiple clients of the Company's Canadian segment, represents approximately $1,742,153 or 100% ($2,869,879 or 37% for 2013) of its total revenue from ordinary activities.

Information about revenue

Revenue from external customers, as previously described, comes from the sale of a prescriber's license, Pharmaceutical contracts and development contracts.

They can be analyzed according to the following groups:

2014	Canada	United-States	Total
	$	$	$
Revenue			
Operating revenue	1,742,183	-	1,742,183

2013	Canada	United-States Restated (Note 4)	Total
	$	$	$
Revenue			
Operating revenue	2,869,879	1,342,388	4,212,267
Licensing revenue	-	3,594,118	3,594,118
	2,869,879	4,936,506	7,806,385

Pursuant to the sale of certain assets, as at September 2, 2014, revenues and cash flows from the Canadian geographical area will not be recurrent (Note 26).