



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of results of operations, financial position and cash flows must be read in conjunction with the consolidated financial statements as at August 31, 2006 and the consolidated financial statements and accompanying notes of ZoomMed Inc. for the periods ended August 31, 2005 and 2006. Management prepared this report taking into account all available information as at October 26, 2006.

All financial information contained in this analysis and the financial statements have been prepared in accordance with the Canadian generally accepted accounting principles (GAAP). Unless otherwise indicated, all amounts are in Canadian dollars.

This management report August contain information and declarations on the future performance of ZoomMed Inc. that are by nature forward-looking. These declarations reflect the Management's expectations regarding future events based on assumptions and uncertainties. Readers are hereby cautioned that actual results August differ materially from expectations.

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

## BUSINESS DESCRIPTION

Established in February 2005, ZoomMed Inc. was classified as a Capital Pool Company as defined in policy 2.4 of the TSX Venture Exchange until July 27, 2005, as ZoomMed Inc. completed a qualifying transaction with the shareholders of 9103-8240 Québec Inc.

In October 2006, ZoomMed presented its first complete annual report, representing a full year of business since its incorporation. ZoomMed's first operating year focussed on the development of a new product, the *ZRx Prescriber*, an electronic system that simplifies and radically improves the way prescription drugs are prescribed in Canada.

ZoomMed is committed to two business missions: 1) developing the *ZRx Prescriber*, an innovative product for physicians; and 2) providing paramedical equipment to healthcare agencies and the general public.

## REVIEW FOR THE THREE MONTH PERIOD ENDED AUGUST 31, 2006

It is important to take note that the expenses as at August, 2006 are essentially tied to the development, the setup and the marketing of the “ZRx Prescriber”, which have not yet generated revenues for that same period.

In accordance with the commitments outlined in our 2005 Annual Report, the *ZRx Prescriber* was designed and developed within the established 10 month timeframe. As outlined in the general timetable, ZoomMed set up an initial pilot site on June 1<sup>st</sup>, 2006 at the *Clinique familiale de Saint-Hyacinthe* in Québec allowing physicians to generate electronic prescriptions to be processed by various area pharmacists. In August 2006, a second pilot site was set up in Montréal. On the strength of these positive results, we began launching and marketing the *ZRx Prescriber* in September 2006. By the end of the year, the *ZRx Prescriber* will already be contributing to our sales.

## OPERATING RESULTS

### Selected annual information

	<b>ZoomMed inc. As at August 31, 2006</b>	<b>ZoomMed inc. As at August 31, 2005</b>
Revenues	\$ 192,767	\$ 163,706
Gross margin	101,314	107,818
Administrative expenses	381,779	562,294
Sales expenses	216,313	175,067
Net loss	(521,971)	(643,945)
Net loss per share	(0.016)	(0.029)
Weighted average outstanding shares	33,135,838	22,375,000

For the three month period ended August 31, 2006, total revenues were \$192,767 as compared to \$163,706 for the corresponding period ended August 31, 2005. These revenues essentially come from sales of paramedical equipment and technical services on the Quebec private market.

The Corporation registered a gross margin of \$101,314 for the three month period ended August 31, 2006 compared to \$107,818 for the corresponding period ended August 31, 2005.

The Corporation registered \$381,779 in administration expenses for the three month period ended August 31, 2006 as compared to \$562,294 for the corresponding period ended August 31, 2005. During the period, the Company granted 1,232,500 options allowing its managers, directors and employees to purchase 1,232,500 common shares for \$0.20 per share. Non-recurrent payroll charge related to the stock option plan amounts to \$ 140,137 for the three month period ended August 31, 2006. During the corresponding 2005 period, the Company granted 1,800,000 options allowing the holders to purchase 1,800,000 common shares for \$0.25 a share. Non-recurrent payroll charge related to the stock option plan amounts to \$ 288,000 for the three month period ended August 31, 2005.

The Corporation incurred \$216,313 in sales expenses for the three month period ended August 31, 2006 compared to \$175,067 for the corresponding period ended August 31, 2005. The increase comes from the addition of new personnel to the Prescriber ZRx marketing team.

The Corporation incurred \$6,065 in financial expenses for the three month period ended August 31, 2006 compared to \$11,419 for the corresponding period ended August 31, 2005. The Corporation did not incur any additional debt over the last 12 months.

The Corporation incurred a net loss of \$521,971 for the three month period ended August 31, 2006 compared to \$643,945 for the corresponding period ended August 31, 2005. It is important to take note that the expenses and the net loss as at August, 2006 are essentially tied to the development, the setup and the marketing of the “ZRx Prescriber”, as mentioned above.

ZoomMed registered a \$0,016 net loss per share for the three month period ended August 31, 2006. The net loss per share was \$0,029 for the corresponding period of 2005.

## FINANCIAL POSITION

### Selected balance sheet information

	<b>ZoomMed inc. August 31, 2006</b>	<b>ZoomMed inc. August 31, 2005</b>
Cash and cash equivalents	\$ 1,968,319	\$ 804,401
Working capital	1,876,934	908,570
Fixed assets	223,043	46,338
Intangible assets	2,939,948	2,941,609
Total assets	6,272,656	5,531,543
Long-term debt including short-term	218,006	546,068
Shareholders equity	5,463,113	3,825,704
Share capital and warrants	8,689,262	4,495,616

Cash and cash equivalents as at August 31, 2006 were \$1,968,319 compared to \$804,401 as at August 31, 2005.

Working capital as at August 31, 2006 was \$1,876,934 as compared to \$908,570 as at August 31, 2006.

Fixed assets as at August 31, 2005 were at \$46,338 as compared to \$223,043 as at August 31, 2006. The corporation acquired computer hardware, furniture and leasehold improvements for its new installations related to the development of the “ZRx Prescriber”

Intangible assets for the three month period ended August 31, 2006 were stable at \$2,939,948 as compared to \$2,941,609 as at August 31, 2005. Those assets are essentially composed of the intellectual property related to the ZRx Prescriber.

Total assets of The Corporation have increased from \$5,531,543 as at August 31, 2005 to \$6,272,656 as at August 31, 2006.

Long-term debt (including short-term portion) decreased from \$546,068 as at August 31, 2005 to \$218,006 as at August 31, 2006. This decrease in debt is essentially related to the payment in full of a National Bank loan. The Corporation did not incur any additional debt over the last 12 months.

The Shareholders equity increased from \$3,825,704 as at August 31, 2005 to \$5,463,113 as at August 31, 2006. This increase comes from financing activities. On August 10, 2006, the Corporation completed a private placement for gross proceeds of \$2,000,000. In connection with this offering, 10,000,000 units were issued at \$0.20 per unit. Each unit is composed of one common share and one warrant. Each warrant allows its owner to buy one additional common share at a price of \$0.24 over the next three (3) years. The fair value of the warrants is \$ 200,000.

As at August 31, 2006, 50,279,800 shares were issued and fully paid.

## CONSOLIDATED CASH FLOWS

Cash and cash equivalents increase as at August 31, 2006 was \$1,377,418 compared to \$775,191 as at August 31, 2005. The 2006 increase comes from a private placement, closed on August 10, 2006, for a gross amount of \$2,000,000.

### Statement of cash flows

	<b>ZoomMed inc. August 31, 2006</b>	<b>ZoomMed inc. August 31, 2005</b>
Cash flows from (used for) operating activities	\$ (386,236)	\$ (327,091)
Cash flows from financing activities	1,917,829	(35,310)
Cash flows from investment activities	(154,175)	1,137,593
Cash and cash equivalents increase	1,377,418	775,191
Cash and cash equivalents, end of period	1,968,319	789,925

## DESCRIPTION OF SECURITIES

The corporation is allowed to issue an unlimited amount of Common Shares without nominal value. The holders of Common Shares are entitled to dividends as and when declared by the directors, to one vote per share for Common Shareholders of the Resulting Issuer, and, in the event of winding-up, to receive a portion of assets of the Corporation that August be distributed to holders of Common Shares.

## PRIOR SALES

Since its date of Incorporation, the Corporation has issued 40,279,800 common shares as follows:

Date	Number of Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration Received
March 7, 2005	3,000,000 <sup>(1)</sup>	\$ 0.10	\$ 300,000	Cash
May 18, 2005	8,500,000 <sup>(2)</sup>	\$ 0.20	\$ 1,700,000	Cash
July 27, 2005	18 000 000 <sup>(3)</sup>	\$ 0.25	\$ 4,500,000	Shares
March 21 2006	10 779 800 <sup>(4)</sup>	\$ 0.20	\$ 2,155,960	Cash
August 10, 2006	10,000,000 <sup>(5)</sup>	\$ 0.20	\$ 2,000,000	Cash

- (1) Issued as seed capital.
- (2) Issued during the Initial public offering (IPO) as a CPC.
- (3) Issued pursuant to the reverse takeover of 9103-8240 Quebec Inc.
- (4) Issued pursuant to a second public offering.
- (5) Issued pursuant to a private placement

On August 10, 2006, the Corporation completed a private placement for gross proceeds of \$2,000,000. In connection with this offering, 10,000,000 units were issued at \$0.20 per unit. Each unit is composed of one common share and one warrant. Each warrant allows its owner to buy one additional common share at a price of \$0.24 over the next three (3) years. The fair value of the warrants is \$200,000.

## RISK FACTORS

### I. Ability to develop and maintain a clientele for its product

The future performance of ZoomMed and its Subsidiary 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.

### II. Ability to hire and retain key personnel

Recruiting and retaining qualified personnel is essential to ZoomMed and its Subsidiary's success. They believe that they have been successful in recruiting excellent personnel to help them meet their objectives but, as their activities grow, it is possible that additional key financial, administrative, research and marketing personnel will be required. Although ZoomMed and its Subsidiary believe that they will be successful in attracting qualified personnel, there can be no assurance to that effect.

### III. Financial history

ZoomMed and its Subsidiary operate a developing business. In consequence, one cannot rely on their financial history in order to assess the likelihood of their achieving Income projections nor their financial projections in general.

## USE OF ACCOUNTING ESTIMATES

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

## SUBSEQUENT EVENTS

- **ZRx Prescriber**

Since its first pilot project implementation on June 1<sup>st</sup>, 2006, ZoomMed concluded “ZRx Prescriber” user agreements with 10 medical clinics representing over 100 prescribing physicians throughout Québec.

- **Medical and paramedical equipment**

In accordance with its new marketing strategy, ZoomMed signed, in October 2006, a principle agreement for its first “ZOOMCITY” franchise, to be open in Laval. “ZOOMCITY” is a medical and paramedical retail store.

Furthermore, ZoomMed rented new spaces on the Montreal South Shore in order to set up its master franchise. We expect to be fully operational in November 2006

## ADDITIONAL INFORMATION

ZoomMed Inc. files its consolidated financial statements, management’s discussion and analysis, press releases and other required filing documents on the SEDAR database at [www.sedar.com](http://www.sedar.com).

ZoomMed’s common shares are traded on the TSX Venture Exchange in Toronto, under the symbol: ZMD.

## OUTSTANDING SHARES AS AT AUGUST 31, 2006

Common shares	<b>50 279 800</b>
Options granted to its agent	<b>963 365</b>
Options issued in accordance with the provisions of the stock option plan	<b>3 707 500</b>