

NexgenRx Inc.

Financial Statements

**For the three months and nine months ended
September 30, 2017 and September 30, 2016**

(expressed in Canadian dollars)

(unaudited)

Notice to Reader

These interim financial statements of NexgenRx Inc. have been prepared by management and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), released by the Canadian Securities Administrators, the Company discloses that its external auditor has not reviewed these interim financial statements, notes to financial statements, or the related Management's Discussion and Analysis.

NexgenRx Inc.

Statements of Financial Position

As at September 30, 2017 and December 31, 2016

(expressed in Canadian dollars)

(unaudited)

	September 30, 2017 \$	December 31, 2016 \$
Assets		
<i>Current assets</i>		
Cash	317,964	681,353
Restricted funds on deposit (notes 5, 15)	7,631,422	6,662,594
Accounts receivable	54,648	61,053
Prepaid expenses	68,630	78,607
	<u>8,072,664</u>	<u>7,483,607</u>
<i>Non-current assets</i>		
Property and equipment (note 7)	123,344	123,526
Intangible assets (note 8)	636,336	358,418
Other assets (note 9)	44,733	44,732
Deferred Tax	175,000	175,000
	<u>979,413</u>	<u>701,676</u>
Total assets	<u>9,052,077</u>	<u>8,185,283</u>
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (note 10)	545,538	424,968
Client funds (note 5, 15)	7,631,422	6,662,594
Deferred office rent incentives (note 16)	17,926	17,926
Notes payable to shareholders (note 11)	7,183	61,386
	<u>8,202,069</u>	<u>7,166,874</u>
<i>Non-current liabilities</i>		
Deferred office rent incentives and other liabilities (note 16)	98,033	110,353
Notes payable to shareholders (note 11)	150,000	150,000
	<u>248,033</u>	<u>260,353</u>
Total liabilities	<u>8,450,102</u>	<u>7,427,227</u>
Shareholders' Equity		
Share capital (note 12)	16,898,845	16,815,316
Contributed surplus	3,877,239	3,898,059
Retained Deficit	(20,174,109)	(19,955,319)
Total Shareholders' Equity	<u>601,975</u>	<u>758,056</u>
Total Liabilities and Shareholders' Equity	<u>9,052,077</u>	<u>8,185,283</u>

NexgenRx Inc.

Statements of Income / (Loss) and Comprehensive Income / (Loss)

For the three months and nine months ending September 30, 2017 and September 30, 2016

(expressed in Canadian dollars)

(unaudited)

	Three months ended		Nine months ended	
	Sept 30, 2017	Sept 30, 2016	Sept 30, 2017	Sept 30, 2016
Revenues	\$	\$	\$	\$
Transaction fees	1,038,276	1,021,789	3,257,087	3,195,199
Administration fees	295,281	305,332	912,004	871,725
Commission	31,609	33,758	92,288	89,177
Consulting	21,997	9,847	56,616	181,110
Other income	12,016	26,714	23,277	38,049
	<u>1,399,179</u>	<u>1,397,440</u>	<u>4,341,272</u>	<u>4,375,260</u>
Cost of sales	<u>265,989</u>	<u>266,058</u>	<u>852,437</u>	<u>831,313</u>
Gross profit	1,133,190	1,131,382	3,488,835	3,543,947
Compensation and external contractors	940,211	832,137	2,765,100	2,439,579
Rent (note 16)	51,249	54,022	155,855	156,561
Professional fees	57,762	-12,256	122,390	136,911
Office expenses	57,284	56,737	158,563	149,968
Marketing	82,030	80,379	231,904	214,048
Insurance	28,097	33,592	87,144	101,575
Postage	11,577	11,749	35,805	32,715
Bank charges	19,722	19,091	59,441	60,242
Interest expense	4,023	5,011	15,022	16,582
Depreciation of intangible assets (note 8)	21,002	10,506	66,653	32,472
Depreciation of property and equipment (note 7)	10,613	8,308	30,572	25,452
Stock based compensation (note 12)	1,305	3,449	4,485	11,979
	<u>1,284,875</u>	<u>1,102,725</u>	<u>3,732,934</u>	<u>3,378,084</u>
NET INCOME / (LOSS) AND COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	(\$151,685)	28,657	(\$244,099)	165,863
Basic and diluted earnings per share (note 13)	(0.003)	0.000	(0.004)	0.003

The accompanying notes are an integral part of these financial statements.

NexgenRx Inc.

Statements of Changes in Equity

For the nine months ending September 30, 2017 and September 30, 2016

(expressed in Canadian dollars)

(unaudited)

	Share Capital	Contributed surplus	Deficit	Shareholders' equity (deficiency)
	\$	\$	\$	\$
Balance - January 1, 2016 (note 5)	16,575,316	5,130,655	(21,789,900)	(83,929)
Net income for the period			165,863	165,863
Reclassification of expired stock options (note 5)		(6,266)	6,266	
Stock-based compensation (note 12)		11,979		11,979
Balance - September 30, 2016	16,575,316	5,136,368	(21,617,771)	93,913
Balance - January 1, 2017 (note 5)	16,815,316	3,898,059	(19,955,319)	758,056
Net income for the period			(244,099)	(244,099)
Other			4	4
Reclassification of expired stock options (note 5)		(25,305)	25,305	-
Proceeds from the issuance of common shares	83,529			83,529
Stock-based compensation (note 12)		4,485		4,485
Balance - September 30, 2017	16,898,845	3,877,239	(20,174,109)	601,975

The accompanying notes are an integral part of these financial statements.

NexgenRx Inc.

Statements of Cash Flows

For the three months and nine months ending September 30, 2017 and September 30, 2016

(expressed in Canadian dollars)

(unaudited)

	Three months ended		Nine months ended	
	Sept 30, 2017	Sept 30, 2016	Sept 30, 2017	Sept 30, 2016
Cash flow provided by (used in)				
Operating activities				
Net income (loss) for the period	(151,685)	28,657	(244,099)	165,863
Adjustment for:				
Depreciation of property and equipment	10,613	8,308	30,572	25,452
Depreciation of intangible assets	21,002	10,506	66,653	32,472
Change in deferred office lease incentives	(4,107)	(4,107)	(12,321)	(12,320)
Deferred income taxes				
Stock based compensation	1,305	3,449	4,485	11,979
Changes in items of working capital:				
Accounts receivable	(10,807)	139,032	6,405	(28,147)
Restricted funds on deposit	50,951	373,000	968,828	994,000
Prepaid expenses	33,752	5,140	9,977	46,003
Client funds	(50,951)	(373,000)	(968,828)	(994,000)
Accounts payable and accrued liabilities	251,493	(159,104)	120,607	(94,051)
Net cash generated from (used in) operating activities	151,566	31,881	(17,721)	147,251
Investing Activities:				
Purchase of property and equipment	(1,321)	(13,167)	(30,390)	(46,253)
Intangibles/capitalized development costs	(158,530)	8,826	(344,572)	(38,946)
Net cash used in investing activities	(159,851)	(4,341)	(374,962)	(85,199)
Financing Activities:				
Proceeds from notes payable to shareholders				
Repayment of notes payable to shareholders	(18,063)	(23,000)	(54,203)	(71,000)
Proceeds from common shares issuance	-	-	83,529	-
Net cash provided by financing activities	(18,063)	(23,000)	29,294	(71,000)
Net increase (decrease) in cash	(26,348)	4,540	(363,389)	(8,948)
Cash - Beginning of the Period	344,312	310,513	681,353	324,001
Cash - End of Period	317,964	315,053	317,964	315,053

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

1 Description of business

NexgenRx Inc. (the company) was incorporated in March 2003 under the laws of Ontario, is domiciled in Canada and is listed on the TSX Venture Exchange (NXG.V). The company administers, adjudicates and pays drug, dental and other extended health-care claims for the beneficiaries of health benefit plans underwritten by its customers, using proprietary computer software and also provides ancillary services. The address of the company's registered office is 185 The West Mall, Suite 600, Toronto, Ontario, Canada.

2 Statement of Compliance

The Company prepares its unaudited condensed interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates IFRS as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim financial statement have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim financial statements should be read in conjunction with the Company's annual audited financial statements for the year-ended December 31, 2016.

The policies applied in these unaudited condensed interim financial statements are based on the IFRS as of November 27, 2017, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year-ended December 31, 2017 could result in the restatement of these unaudited condensed interim financial statements.

3 Changes to accounting standards

Accounting standards issues and not yet applied

The following changes to accounting standards will apply to financial statements for periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers (IFRS 15), is a new standard effective for fiscal years beginning on or after January 1, 2018 and may be early adopted. The standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The company intends to adopt IFRS 15 in its financial statements for annual periods beginning on January 1, 2018. The Company does not expect this standard to result in any changes to its revenue recognition.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

IFRS 16, Leases, was issued in January 2016 and is intended to replace International Accounting Standard (IAS) 17, Leases, and related IFRIC's. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019. The company is assessing the impact of adoption of the standard.

IFRS 9, Financial Instruments, is effective for fiscal years beginning on or after January 1, 2018 and may be early adopted which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 fundamentally rewrites the accounting rules for financial instruments. IFRS 9 introduces a new approach for financial asset classification, a more-forward looking expected loss model, and major new requirements on hedge accounting. The company is assessing the impact of adoption of this standard.

IAS 12, Income Taxes, is effective for fiscal years beginning on or after January 1, 2017. Amendments have been made in regard to the recognition of deferred tax assets for unrealized losses in order to clarify issues surrounding the recognition of deferred tax assets related to debt instruments measured at fair value. The company is assessing the impact of adoption of this standard.

4 Summary of significant accounting policies

The significant account policies used in the preparation of these financial statements are described below.

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Chief Executive Officer of the company. The company has only one operating segment.

Revenue

Transaction revenue is recorded based on the actual number of claims processed according to the rates specified in each customer agreement. Transaction fee revenue is recognized on the company's completion of the adjudication process when it is probable that the economic benefits associated with the transaction will flow to the company, the amount of revenue can be measured reliably, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs to complete the transaction can be measured reliably. These criteria are generally met on completion of the adjudication process. The majority of the transaction fees are charged on all claims

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

processed, regardless of the outcome of the adjudication process (i.e., whether the actual claim is approved or declined).

Administration and other fees are the fees charged to provide the initial enrolment, ongoing eligibility tracking and monthly billing services. Administration revenue is recorded based on the actual number of members per month as at the first of the month according to the rates specified in each customer agreement. Administrative and other fees are charged on a monthly basis and are recognized each month as services are provided. Specific IT projects for clients are consulting revenues. Commission revenues are generated from the sale of insured products.

In addition, the company is entitled to interest revenue from the restricted funds on deposit, which represents amounts received or receivable from customers to settle specific health-care claims and related costs, adjudicated on their behalf and which are payable to the providers of the health-care or other services with respect to these claims.

Cost of sales

Cost of sales includes communication costs for the delivery of electronic claims from the health-care provider to the company, the costs related to the off-site hosting of the company's adjudication computer hardware and related technology support, the cost of adjudication software development and maintenance, commissions and administration costs.

Foreign currency

The functional currency of the company is the Canadian dollar, which is the same as the presentation currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statements of income and comprehensive income.

Cash

Cash includes cash on hand and deposits held with banks.

Restricted Funds on Deposit

Restricted funds on deposit represent client deposits held for the purpose of paying claims, taxes and fees.

Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- **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's loans and receivables comprise cash and trade receivables and are included in current assets as they are expected to be settled within 12 months due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to their fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- **Financial liabilities at amortized cost**

Financial liabilities at amortized cost include accounts payable and accrued liabilities, notes payable to a third party and notes payable to shareholders. Financial liabilities are initially recognized at fair value net of any transaction costs and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months or they are due on demand. Otherwise, financial liabilities are presented as non-current liabilities.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for invested assets are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates.

The three levels are based on the significance and reliability of the inputs to the respective valuation techniques.

The input levels are defined as follows:

- Level 1 – quoted prices
Represents unadjusted quoted prices for identical instruments exchanged in active markets.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

- Level 2 – significant other observable inputs
Includes directly or indirectly observable inputs, other than quoted prices for identical instruments exchanged in active markets.
- Level 3 – significant unobservable inputs
Includes inputs that are not based on observable market data.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statements of income and comprehensive income on a straight-line basis over the period of the lease. The company leases office space and certain property and equipment. These leases are classified as operating leases.

Deferred lease incentive

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. In the event lease incentives are received, such incentives are recognized as a liability. The aggregate benefit of the incentives is recognized as a reduction of rental expense on a straight-line basis over the period of the lease.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statements of income and comprehensive income during the years in which they incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Furniture & Computer equipment	3 years
Leasehold improvements	term of lease

The company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment 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 statement of income and comprehensive income.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Intangible assets

The company's identifiable intangible assets are stated at cost less accumulated amortization and include acquired computer software licenses with finite useful lives. This capitalized asset is amortized on a straight-line basis in the statements of income and comprehensive income over the period of their expected useful lives of one to five years.

In determining the cost of intangible assets, the company first assesses whether the expenditures will result in an identifiable asset with future economic benefits. The company evaluates the intangible asset against the following six requirements:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and either use it or sell it;
- Its ability to use or sell the intangible asset;
- The mechanism by which the intangible will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The enterprise's ability to reliably measure the expenditure attributable to the intangible asset during its development.

Costs that are capitalized, include internally specifically identified costs and third party contract costs.

Impairment of non-financial assets

Long-lived assets, including property and equipment and intangible assets, are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. In the current year, the company noted no such events or changes in circumstances that would indicate impairment of these assets.

Long-lived assets that are not yet available for use are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units (CGUs)). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss, if any, is charged to the statements of loss and comprehensive loss in the year it arises. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Stock-based compensation

The company grants stock options to certain employees and directors. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

Provisions and contingent liabilities

Provisions, where applicable, are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

In assessing the ability to realize deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible.

Income taxes comprise current and deferred income taxes. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized directly in equity in the statements of changes in shareholders' equity (deficiency), in which case the income taxes are also recognized directly in the statements of changes in shareholders' equity (deficiency).

In general, deferred income taxes are recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable the assets can be recovered.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity in the Statements of Changes in Shareholders' Equity / (Deficiency).

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Preferred shares, which are not convertible into a fixed number of common shares, are classified as liabilities. The dividends on these preferred shares, if applicable, would be recognized in the Statements of Income and Comprehensive Income as interest expense.

The warrants granted related to the issuance of shares are recorded at the fair value using a valuation pricing model and recorded within Share Capital.

Income per share

Basic income per share is calculated by dividing the net income attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented.

Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The company has two categories of dilutive potential common shares: warrants and stock options.

5. Changes in accounting policy

The company changed its policy in regards to the recording of amounts related to stock options that had expired. Historically, the company recorded the stock option expense within contributed surplus, and did not reallocate any amounts related to the expiration of those options. In fiscal 2016, the company changed its policy to reallocate the contributed surplus on expiration to retained deficit.

The company changed its policy to report the Restricted Funds on Deposit and the related liability on the statement of financial position (see note 15).

6. Significant accounting judgments and estimation uncertainties

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenue and expenses. The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The following are estimates and judgments applied by management that most significantly impact the financial statements. These significant estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Intangible assets

Valuation of technology requires management to assess whether such expenditures to develop or maintain are current expenses or have an extended life that should be recognized as an asset and accordingly amortized over the estimated asset life. Costs include the contribution of company time which has been estimated based on the relative contributions of individuals within the Company in addition to external costs incurred related to the development phase.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Valuation of stock-based compensation and warrants issued

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as expected share price volatility. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

Income taxes

The company has significant tax losses available to offset future taxable income. The ability to recognize a tax asset requires an annual assessment of the future, sustainable profitability of the company. Accordingly, recognizing a tax asset is subject to material change and is evaluated conservatively.

7 Property and equipment

	Furniture & Computer Equipment	Leasehold Improvements	Total
	\$	\$	\$
Cost			
Balance at December 31, 2015	422,043	296,279	718,322
Additions	29,984	20,822	50,806
Disposals	(182)	-	(182)
Balance at December 31, 2016	451,845	317,101	768,946
Additions	28,568	1,822	30,390
Disposals	-	-	-
Balance at September 30, 2017	480,413	318,923	799,336
Accumulated Depreciation			
Balance at December 31, 2015	406,520	205,162	611,682
Depreciation expense	16,415	17,323	33,738
Balance at December 31, 2016	422,935	222,485	645,420
Depreciation expense	17,022	13,549	30,571
Balance at September 30, 2017	439,957	236,034	675,991
Net Book Value			
December 31, 2015	15,523	91,117	106,640
December 31, 2016	28,910	94,616	123,526
September 30, 2017	40,456	82,888	123,344

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

8 Intangible assets

	Intangible Assets
Cost	
Balance at December 31, 2015	872,738
Additions - external costs	56,505
Additions - internal costs	247,869
Disposals	-
Balance at December 31, 2016	<u>1,177,112</u>
Additions - external costs	316,965
Additions - internal costs	27,607
Disposals	-
Balance at September 30, 2017	<u>1,521,685</u>
Accumulated Depreciation	
Balance at December 31, 2015	777,217
Depreciation expense	41,477
Balance at December 31, 2016	<u>818,694</u>
Depreciation expense	66,653
Balance at September 30, 2017	<u>885,347</u>
Net Book Value	
December 31, 2015	95,521
December 31, 2016	358,418
September 30, 2017	636,336

9 Other assets

Other assets consist of a last month's rent deposit and security deposits in the amount of \$44,733 (2016 - \$44,732).

10 Financial liabilities

	September		December	
	30, 2017		31, 2016	
	Current	Non-current	Total	Total
	\$	\$	\$	\$
Trade payable	545,538	-	545,538	424,968
Client funds	7,631,422	-	7,631,422	6,662,594
Interest payable	1,183	-	1,183	1,386
	<u>8,178,143</u>	<u>-</u>	<u>8,178,143</u>	<u>7,088,948</u>
Notes payable to shareholders (note 11)	6,000	150,000	156,000	210,000
	<u>8,184,143</u>	<u>150,000</u>	<u>8,334,143</u>	<u>7,298,948</u>

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

The table above analyses the company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The company's trade payable includes all the outstanding invoices or accruals as at September 30, 2017.

Client funds represent amounts held for processing of contractual costs.

The interest payable includes the interest on the notes payable to shareholders and the notes payable to a third party (note 11).

11 Notes payable to related parties

	2017	2016
	\$	\$
Opening balance - January 1st	182,000	230,000
Proceeds - the first nine months ending September 30th	-	
Repayment during the nine months ending September 30th	(26,000)	(48,000)
Closing balance of principal - September 30th	156,000	182,000
Accrued interest for the six months ending September 30th	1,183	1,386
Closing balance of principal ending September 30th	157,183	183,386
Current portion of notes payable to related parties	7,183	61,386

In December 2016, a shareholder of the company issued a loan to the company in the amount of \$60,000. Principal and annualized interest of 8% on the loan is payable in 10 monthly instalments of \$6,000 with a final payment due on October 15, 2017. Amortized cost approximates fair value for this liability due to its short-term nature.

In December 2015, two shareholders of the company issued a loan to the company in the amount of \$80,000. The loan was repaid on October 10, 2016. Payments were made the 15th of each month with a final payment October 10, 2016. In addition, in December 2015, two shareholders of the company issued an unsecured loan to the company in the amount of \$150,000. The loan remains outstanding and is payable on December 15, 2020 with an annualized interest rate of 8% payable monthly on the unpaid amounts of the loan.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

12 Share capital

Authorized

Unlimited number of Class A preferred shares, 8% cumulative, voting, convertible, redeemable, retractable

Unlimited number of Class B preferred shares, non-voting, convertible, redeemable, retractable

Unlimited number of Class C preferred shares, non-voting, convertible, redeemable, retractable

Unlimited number of Class D preferred shares, non-voting, convertible, redeemable, retractable

Unlimited number of Class E preferred shares, non-voting, convertible, redeemable, retractable

Unlimited number of common shares

There are no outstanding Class A, B, C, D and E preferred shares as at June 30, 2017.

On June 30, 2015, the company completed a private placement financing in which the company issued and sold 3,235,294 units, where each unit consisted of one common share and one half of one common share purchase warrant for aggregate gross proceeds of \$550,000. Each warrant entitles the holder to acquire one additional common share at a price of \$0.20 for a period of two years from closing. The warrants were valued using a valuation pricing model with the following assumptions; risk free interest rate of 0.58; expected life of two years, expected volatility of 50%; and expected annual dividend yield of nil %. The value of common share purchase warrant was determined to be \$37,156 and the remainder of the total consideration received was recorded in common share.

Issued

	Number of shares	Total \$
Common shares - no par value		
Opening balance - December 31, 2014	55,539,002	16,025,316
Issued during the year	3,235,294	550,000
Balance - December 31, 2015	58,774,296	16,575,316
Issued during the year	1,200,000	240,000
Balance - December 31, 2016	59,974,296	16,815,316
Issued during the quarter	117,647	23,529
Balance - March 31, 2017	60,091,943	16,838,845
Issued during the quarter	300,000	60,000
Balance - June 30, 2017	60,391,943	16,898,845
Issued during the quarter	-	-
Balance - September 30, 2017	60,391,943	16,898,845

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Employee stock options

During 2013, the shareholders of the company approved the stock option plan (the Plan), as required on an annual basis by the TSX Venture Exchange in respect of rolling stock option plans. Stock options granted under the Plan (options) are equity settled and will have an exercise price that is not less than the price allowed by the relevant regulatory authorities, will be non-transferable and will be exercisable for a period not to exceed five years. Stock options either vest evenly over the related service period of five years or immediately on issuance.

The following provides a summary of the status of the Plan as at September 30, 2017:

	Number of stock options	Weighted exercise price \$
Options outstanding - December 31, 2015	3,470,000	0.24
Expired during the year	(2,555,000)	
Forfeited during the year	(65,000)	
Options outstanding - December 31, 2016	850,000	0.22
Forfeited during the quarter	(50,000)	
Options outstanding - March 31, 2017	800,000	0.22
Forfeited during the quarter	(250,000)	
Options outstanding - June 30, 2017	550,000	0.22
Issued September 29 2017	2,625,000	
Options outstanding - September 30, 2017	3,175,000	0.23

Grant Date	Expiry Date	Exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Number exercisable
March 2013	March 2018	0.22	550,000	1.00	440,000
September 2017	September 2027	0.23	2,625,000	10.00	-
			3,175,000		440,000

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: For the March 2013 options risk free interest rate: 1.25%; volatility: 50%; and expected life: five years. For the September 2017 options, risk free interest rate of 1.73%; volatility: 69%; and expected life: five years.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Compensation expense is recognized over the years in which entitlement to the compensation vests. The expected volatility is based on the historical volatility of comparable companies, which may not necessarily be the actual outcome.

13 Income per common share

Basic and diluted

	September 30, 2017	September 30, 2016
	\$	\$
Net income (loss) attributable to shareholders	(244,099)	165,863
Weighted average number of common shares issued	59,898,385	58,774,296
Basic income (loss) per share	(0.004)	0.003

14 Related party transactions

Compensation of key management

Key management includes the company's directors and members of the management team. Compensation awarded to key management included:

	September 30, 2017	September 30, 2016
	\$	\$
Salaries and short-term employee benefits	713,496	490,979
Options	4,485	7,568
	717,981	498,547

15 Restricted Funds on Deposit and Client Deposits

Acting as paying agent, the company had \$7,631,422 in restricted funds on deposit and a corresponding liability for client deposits as at September 30, 2017 (December 31, 2016 - \$6,662,594), which represented amounts received from customers to settle specific health-care claims and related costs, adjudicated on their behalf, which are payable to the providers of the health-care or other services with respect to these claims. Restricted client funds are segregated in a separate bank account, controlled by the company, from which the company earns interest. The company cannot utilize the restricted funds outside of the scope of the client contracts. The client contracts clearly state the permitted uses of funds, which as noted above is for payment of claims, related taxes and other fees as detailed in contracts.

16 Commitments

Operating leases

On June 15, 2012, the company entered into a lease agreement with its landlord to lease office space at 185 The West Mall, Suite 600, Toronto, Ontario, Canada, effective August 1, 2012, with a

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

commencement date of October 1, 2012. The lease expires on September 30, 2022 with a five-year option to extend. Under the agreement, the company received a lease inducement of \$197,000, which was recorded as a liability.

Rent expense under this agreement is \$19,933 per month.

Future minimum lease payments under non-cancellable operating leases for office space and computer equipment over the next five fiscal years and thereafter in aggregate are as follows:

	Office space \$	Computer equipment \$
Less than one year	245,977	191,835
One year to five years	983,910	161,020
	<u>1,229,887</u>	<u>352,855</u>

Contingencies

In the normal course of business, the company becomes involved in various claims and legal proceedings. As at September 30, 2017, it is the opinion of management that there is no claim or legal proceeding that will have a material adverse effect on the company's financial position.

17 Economic dependence

The company's revenue is concentrated in a small number of large clients. For the quarter ended September 30, 2017, 69% (2016 - 69%) of the company's revenue was derived from three clients. The loss of any one of these clients could have a significant impact on the company's future revenue.

18 Financial instruments and capital management

Foreign currency risk

Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The company has insignificant financial liabilities denominated in foreign currencies and as a result the effect from any change in foreign currency exchange rates would be immaterial.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates on the notes payable to shareholders are fixed.

NexgenRx Inc.

Notes to Financial Statements

For the three and nine months ending September 30, 2017 and September 30, 2016

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities. Management believes the company will have adequate resources to support all of its financial liabilities and contractual commitments with current resources. If required, the company will reach out to its investor base for additional capital. Cash flow analysis is performed on a regular basis, and includes tracking of commitments and monitoring of receipts to identify significant variations from forecast cash balances.

Credit risk

The company's financial instruments exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The company minimizes the credit risk of cash by depositing with only reputable financial institutions. The company's objective with regard to credit risk in its operating activities is to reduce its exposure to losses. Of the company's accounts receivable, there are no balances greater than 31 days past due. The company does not have an allowance for doubtful accounts and all amounts are considered fully collectible.

Management of capital

The company's objective of managing capital (comprising share capital and notes payable to shareholders) is to ensure its continued ability to operate as a going concern. The company manages its capital structure and makes changes to it based on economic conditions. With approval from the board of directors, management will adjust its capital structure through the issue of new shares, convertible debentures, debt or other activities deemed appropriate under the specific circumstances. Management and the board of directors review the company's capital management approach on an ongoing basis and believe this approach, given the relative size of the company, is reasonable. The company is not subject to externally imposed capital requirements and the company's strategy with respect to capital risk management has not changed since the period ended September 30, 2017. It is the company's standard business practice to ensure that clients maintain adequate restricted funds on deposit to meet the estimated costs associated with their contract. Restricted funds are monitored to ensure compliance with these contracts.

19 Subsequent Events

Subsequent to September 30th, 2017 the Company borrowed \$300,000 from a third party. The loan is unsecured, bears interest at 8% per annum with fixed monthly principal payments of \$6,250 plus interest. The loan was effective November 1, 2017 with a term of four years.