



September 30, 2019
Management's Discussion and Analysis

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

Table of Contents

President's Message	3
Business Overview	4
The Industry	5
NexgenRx Strategy.....	5
NexgenRx Advantage.....	6
Risks and Uncertainties	6
Results of Operations	9
Outstanding Share Data	11
Liquidity and Capital Resources	11
Financial Instruments and Other Instruments.....	12
Plan Sponsor Funds on Deposit Arrangements	12
Critical Accounting Estimates	12
Significant accounting judgments and estimation uncertainties	12
Changes in accounting policies	12
Property and equipment – estimated useful lives.....	12
Valuation of stock based compensation and warrants issued.....	13
Additional information	13

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

President's Message

Dear Shareholders,

The third quarter continued to provide positive revenue growth. Year over year revenue grew 50% from a combination of new clients and a full quarter of acquisition revenues. On a consolidated basis, revenue is expected to moderately rise for the balance of the fiscal year.

Bottom line results improved by \$735,232 for the nine months ended September 30, 2019 to a net loss of \$145,679. For the third quarter, the financial performance improvement totaled \$184,944 to net loss of \$218,718 reflecting our ongoing investments in prospective clients and technology upgrades. As noted above, revenue improved on a year over year basis of which 35% was driven by new clients and the balance from the integration of My Benetech and Canadian Benefit Administrators. Third quarter EBITDA was \$221,043, representing a \$390,420 improvement over the third quarter of 2018. On a year to date basis, EBITDA was \$749,336 representing an increase of \$1,348,476 over the prior year.

Product Development

The plan member experience continues to be enriched through our full function mobile solution, "**neXmobile®**", an iPhone and Android mobile app. Enrolment has commenced with good client acceptance. To expand on our proprietary secure web-portal, **theclaimsXchange.com**, we ran a summer pilot program to add health practitioners. The program was very successful with a 28% increase in registrations which will expedite claims submission.

Looking Forward

In addition to the full implementation of new clients in the third quarter, we continue to have a solid pipeline of prospects and opportunities. Conversion of these opportunities into clients will provide meaningful revenue to the Company. As always, we continue to forge stronger relations with our prospects which we believe will translate into clients. Our technology-driven offering is recognized as a differentiator for customers seeking more cost effective solutions for their drug, extended health and dental benefits programs. NexgenRx is the only independent full service claims adjudicator with full front end administration capability. This capability allows NexgenRx to provide solutions to segments of our defined market that need sophisticated health benefit technology applications, in a cost-effective manner. NexgenRx is committed to building partnerships with organizations looking to exceed the expectations of their clients and deliver superior administration and claims processing solutions at a competitive cost.

NexgenRx is well positioned to capitalize on the market's demand for an alternative to the traditional group benefits offerings and we look forward to the sustained growth of our business during 2019.

As always, thanks to our Customers, Staff, Board members and Shareholders for your continued loyalty, support and confidence in NexgenRx.

Sincerely,

Ronald C. Loucks
President and CEO

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of NexgenRx Inc. (the "Company" or "NexgenRx") has been prepared by management effective as of November 21, 2019. The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") on a going-concern basis and do not include any adjustments to the amounts and classifications that might be necessary should the Company be unable to continue business.

This MD&A may contain forward-looking statements in respect of various matters, including upcoming events. The results or events predicted in these forward-looking statements may differ materially from actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or other factors.

The consolidated financial statements and related notes, and this MD&A have been reviewed by the Company's Audit Committee, and approved by the Company's Board of Directors on November 21, 2019.

Business Overview

As noted in our MD&A for the year ended December 31, 2018, NexgenRx Inc completed the acquisition of two benefit administration companies, CBA Ltd. ("CBA") and My Benetech Inc. on August 15, 2018. The third quarter of 2019 was our fourth full quarter of operating results of CBA and My Benetech. Year-to-date revenue had increased by 50% year over year, we anticipate the positive contributing factors to be continued throughout the year.

The Company's business is to adjudicate and process medical claims using proprietary technology. Utilizing our technology allows employees or plan members to have their claims seamlessly transacted electronically across Canada. Health benefit claims include drug, dental, extended health and health care spending account claims. This service is sold on a fee-per-transaction basis, in addition to per member administration fees.

The Company's revenue from administration and transaction fees is directly linked to the number of plan members whose health claim benefits are adjudicated and paid by the Company. NexgenRx provides claims adjudication services covering three major benefit classes; drug, dental and extended health care, plus a healthcare spending account. A client may select any combination of these as part of their benefit plan.

Contracts with clients can extend over several years, and are reviewed by management prior to renewal. Plans sold directly to plan sponsors often renew annually and can be terminated after a specified notice period ranging from one to six months. The Company does not anticipate that it will experience any material bad debts on any termination, as it collects the funds required in advance of processing any claims for a particular plan sponsor. The Company has no obligation to pay any claim on behalf of a plan sponsor should it have insufficient funds on hand from that plan sponsor. All such funds received are held by the Company in a segregated general funds in transit account. Funds are maintained in this account, until paid out on account for claims made under the relevant health benefit plan, fee revenue due to the Company or other authorized disbursements.

Technology is the cornerstone of the Company's operations. Current initiatives, as noted, include the mobile app changes, web browser functionality and other programming enhancements. Costs have been funded by operations to date.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

The Industry

The Canadian group health benefit market is dominated by a relatively small number of federally incorporated and regulated insurance companies. These insurers are the only providers of certain insurance products (including life insurance, disability insurance, accidental death and dismemberment insurance and/or out of province travel medical emergency insurance) that comprise a significant portion of all health benefit plans. Over time, these companies have extended their product offering into the provision of drug, dental and extended health care benefits and the administration of health benefit plans on both an insured and an ASO basis.

Although some insurers have the technology to enable them to receive and adjudicate both paper and electronic claims made under the health benefit plans managed by them, most insurers (including each of the five largest insurers in Canada) have further outsourced the adjudication of electronic claims, or pay direct card claims, to third party electronic transaction companies.

Intermediaries such as employee benefit consultants and brokers are principally responsible for the design and placement of health benefit plan coverage. Due to their expert knowledge, plan sponsors value and, generally, follow their advice in respect of benefit matters. These intermediaries typically seek out price quotes for various benefit products on an annual basis and make recommendations to their plan sponsor clients.

Distribution to large Canadian groups (over 500 plan members) is dominated by the major consulting firms, most of which are subsidiaries of United States based firms where cost containment is the dominant theme. These firms tend to operate on a national basis with offices in most major Canadian cities and follow standards set by national practice leaders within each firm.

Management believes that small and medium sized employers (10 to 500 employees/members) are more likely to deal with independent brokers that sell across all insurance lines, including health benefits. These brokerages range from one-person shops to fairly significant regional operations. Certain insurance companies have sought to bypass the brokers and seek a direct relationship with plan sponsors.

A trend that started with union trustee plans and now extends to traditional employer plans is the role of a Third-Party Administrator. By retaining a Third-Party Administrator, plan sponsors are able to control their own employee or member data independent of any one insurance company. This allows for the use of multiple carriers to provide a group benefits plan. An employer can utilize the best carrier for the life insurance component, for example, while utilizing a specialty carrier for other insurance coverage. Use of a Third-Party Administrator also enables the employer to find the best provider of health benefit administration services, such as NexgenRx, since the Third-Party Administrator handles all of the back-office administration including enrolment data and premium allocation. Third Party Administrators give greater flexibility to employers in this consolidated carrier market and their use is well suited to the carve-out of health and dental coverage.

NexgenRx Strategy

NexgenRx with its technology based platform provides leading administration, claims adjudication and web based solutions to effectively manage benefit costs from plan sponsors and their members. The Company's immediate and long-term objective is to capitalize on its scalable infrastructure by offering cost effective solutions. The infrastructure is capable of handling significant volume increases. The objective is to increase the number of plan members under administration and the volume of health care claims adjudicated by the Company through various distribution channels. Significant growth in volume can be achieved while maintaining a transactions fee price structure that provides a competitively priced offering and an adequate gross margin contribution.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

NexgenRx Advantage

Management believes that the Company has a number of significant competitive advantages that will help it to achieve its strategic goals. These advantages include:

- (i) *Pricing* – Compared to a traditional insured benefit model, the Company provides a significant cost advantage for Plan Sponsors.
- (ii) *Technology* – The Company utilizes Adjudication Software which allows complex plan designs to be set up to automatically adjudicate drug, dental and extended health care claims on a single software platform. This is advantageous in the health benefits management industry where health benefit plan designs are becoming increasingly complex and manual adjudication is not uncommon. Most insurers in Canada use a different adjudication platform for health benefit claims received electronically than they do for health benefit claims received in paper form. The Company uses the same Adjudication Software for both types of health benefit claims and offers real-time services such as the electronic adjudication of health care claims made under an integrated health care spending account, cross benefit deductibles (where one deductible may apply to both drug and dental benefits) and yearly or per visit maximums. The service also includes the proactive intervention tools comprising the NexgenRx Intervention Suite;
- (iii) *Flexibility* – The Company is able to adapt to new business methods, different adjudication philosophies, and unique support requirements as a result of its rules-based adjudication engine and experienced and dedicated professional staff. Each client receives dedicated support from the conversion planning stage through to the renewal process, ensuring a personal experience that meets that client's particular business needs; and
- (iv) *Control* – The Company recognized the need in the marketplace to enable traditional group plan sponsors to have control of their own administration without having to disrupt their existing broker/consultant relationship. NexAdmin® responds to that need. By allowing traditional plan sponsors to utilize our web-based application. The ability to offer self-administered enrolment, eligibility and billing changes to interface with a variety of group carriers for their insured benefits such as Life, Accidental Death & Dismemberment, and Long Term Disability and still take advantage of the transaction based health and dental benefits administered by NexgenRx. This streamlines the process for dealing with employee eligibility, salary or dependent status changes in a cost effective manner, independent of any one insurer. The ability of a plan sponsor to control their own eligibility and billing data is the key to having the most competitive pricing and design opportunities at all times.
- (v) *Conversion Experience* – The Company is skilled in converting benefit plans and their members from an existing Third Party Administrators' manual or computer system to the the Company's systems. It is critical that changeovers have minimal impact upon plan members. Conversion utilities for eligibility and claims history have been built, template project plans have been written and testing methods and structure have been created;

Risks and Uncertainties

Market Demand

The Health Benefit Management industry is highly competitive and is characterized by changing technology in both products and delivery and by competitive pricing. The Company competes with a number of established companies which enjoy significant market share in segments of the Health Benefit Management market. In order to maintain and improve its position in the industry, the Company must continue to develop its software technology, enhance its current products and services, and develop or acquire new products and product extensions.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

Technology Development

The Company's success is dependent on the continued development and enhancement of the Adjudication Software and the Company's other proprietary software technologies. The Company primarily relies on a combination of trade secret, copyright and trademark laws, non-disclosure agreements and contractual provisions to establish and protect its proprietary rights to its products.

Service Providers

The health care claims received by the Company electronically are transmitted over dedicated networks. Such transmission may be interrupted as a result of cable damage or other cause. Based upon management's experience and the service standards which the principal network provider strives to maintain, management anticipates that any such interruption will not often occur or last for any material length of time. However, there can be no assurance that this will be the case, or that any such interruptions, if frequent and prolonged, would not have a material adverse effect on the Company's business. The Company is similarly dependent upon third parties, known and unknown, for the maintenance of the interconnectivity of the Internet. A loss of Internet connectivity would adversely affect, or preclude, plan sponsor and TPA customers of the Company, plan members, health care providers and others from accessing the services which the Company intends to deliver to each of these persons through its website, and would interrupt the receipt and transmission of electronic mail, among other consequences. Management does not anticipate that any such loss of Internet connectivity would have a material adverse effect upon its business, but there can be no assurance that this would be the case.

Cyber Security

Cyber security risk is a high priority area of the Company given the core of the Company's business involves sensitive personal information, such as medical records, that is electronically transmitted over dedicated networks, as noted above. By the nature of the Company's business, personal medical and other information is maintained and subject to electronic data exchange. If the Company's data were to be comprised the Company could face serious reputational damage, loss of customer confidence and potentially impact future opportunities.

The Company recognizes that cybersecurity is an ever-changing environment and that constant monitoring and diligence is required to keep up with day-to-day threats and ever-changing technologies. The Company has contracted an outside cybersecurity firm to assist with protecting both systems and data from cybersecurity attacks. Using patented technology, constant scanning and monitoring of all servers and firewall traffic is done. This technology hardware/software alerts both the cyber security firm and the Company of any vulnerabilities or attacks along with action items and solutions. The Company also recognizes that a significant risk for cybersecurity breach is that of Company employees. Email phishing, spam and pharming are the largest threats to the Company.

The Company also recognizes other threats such as social engineering and malware/viruses or other cybersecurity attacks to be aware of. To mitigate any possible threat posed by Company employees, the Company is constantly training and informing employees about cybersecurity safe practices and conducting training and awareness meetings that employees must attend. Should there ever be a cybersecurity breach at the Company, a cybersecurity incident response plan has been developed. This plan is reviewed quarterly and all participants of the plan must attend quarterly walk-throughs.

To mitigate this risk, the Company has a dedicated technical team that has implemented preventative measures and monitors cyber risks continuously. Testing against cyber risk is also carried out regularly to ensure the potential threat is as low as possible.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

Revenue Concentration

For the period ended September 30, 2019, 50% of the Company's revenue was derived from three clients (2018 - 61%). The loss of any one of these clients could have a significant impact on the Company's future revenue. At the same time, it should be noted that the scalar nature of the infrastructure architecture and the organization design provide significant mitigation against this risk. With the revenues from new clients and revenues from our subsidiaries, customer concentration levels have decreased significantly. We expect customer revenue concentration will continue at the current run rate for the balance of the year.

Market conditions are extremely competitive and every client is a potential target. Stop-loss experience is constantly under attack as more high cost drugs are coming to market and negatively affecting claims experience and the cost of insuring that risk. As we noted, the industry is dominated by large insurers that can quote predatory pricing. Our competitive strengths, include, but are not limited to, responsiveness, dedicated customer relations staff, flexible structuring of offerings, ability to react and accommodate specific needs very quickly and the ability to customize our systems to meet client needs to name a few. As would be expected, we are making every effort to retain the business in the best interests of the Company and the client.

To further reduce this concentration risk, the Company continues to add new customers, develop new revenue channels, increase revenues in all areas and add and increase ancillary product offerings. Increasing the number of clients will reduce concentration risks as well.

Summary of Selected Quarterly Information

Prepared in accordance with IFRS

	Q1, 2019	Q2, 2019	Q3, 2019	
	\$	\$	\$	
Total revenue	2,382,913	2,359,578	2,237,249	
Net income (loss)	107,977	(34,938)	(218,718)	
Basic income (loss) per common share	0.002	(0.000)	(0.003)	
Total assets	19,525,323	18,490,613	18,705,593	
Total liabilities	17,492,154	16,444,840	16,832,275	
Shareholders' equity / (deficiency)	2,033,169	2,045,773	1,873,318	

	Q1, 2018	Q2, 2018	Q3, 2018	Q4, 2018
	\$	\$	\$	\$
Total revenue	1,545,558	1,464,698	1,655,900	2,503,323
Net income (loss)	(150,525)	(326,722)	(403,662)	184,049
Basic income (loss) per common share	(0.002)	(0.007)	(0.006)	0.003
Total assets	9,567,519	8,731,084	19,893,501	18,022,756
Total liabilities	7,726,198	7,188,529	18,149,629	16,065,594
Shareholders' equity / (deficiency)	1,841,321	1,542,555	1,743,872	1,957,162

Total Assets / Liabilities

There were no transactions outside of normal operations. Client deposits fluctuate on claims experience with the result being our deposit levels decreased slightly. Cash balances dropped resulting from loan repayment and investments in our technology in the quarter.

With the adoption of IFRS 16 leases are classified for accounting purposes of a Right of Use asset and added to the Property and Equipment category. This represented the change in this category net of normal amortization. A corresponding liability of equal amount is set up. On a monthly basis the actual rent payments reduce both asset / liability balances.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

Results of Operations

Revenue consists of fees per health benefit claim transaction adjudicated. The Company adjudicates both electronic and paper-based health benefit claims and charges transaction fees per contract with each plan sponsor or TPA. Other revenue sources included interest income, commissions on insurance products, implementation and integration fees and periodic consulting revenues associated with client customization requests.

Transaction fees consist primarily of fees per health benefit claim transaction adjudicated. 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 transaction costs incurred to complete the transaction can be measured reliably. These criteria are generally met on completion of the adjudication process. Most of the transaction fees are charged on all claims 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, monthly billing services and contract windups. Administration fees are charged to customers 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.

Commissions are earned from the sale of third party insured products to customers.

Consulting revenues are derived from contracted technological changes from our client base which can significantly vary from year to year.

Other income also includes revenues generated from other products not classified in other categories, such as specialty cards and client requests.

This other income category is expected to re-occur, however, we note this revenue is client specific and highly variable.

More detailed results and analysis are as follows;

	Three months ended September 30, 2019	Three months ended September 30, 2018	Dollar change	% change
Revenues				
Transaction Fees	\$1,126,091	\$1,032,913	\$93,178	9.02%
Administration Fees	\$764,852	\$555,904	\$208,948	37.59%
Commission	\$21,619	\$29,301	(\$7,682)	-26.22%
Consulting	\$270,633	\$12,570	\$258,063	2053.01%
Other Income	\$54,054	\$25,212	\$28,842	114.40%
	<u>\$2,237,249</u>	<u>\$1,655,900</u>	<u>\$581,349</u>	<u>35.11%</u>

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Dollar change	% change
Revenues				
Transaction Fees	\$3,494,993	\$3,271,792	\$223,201	6.82%
Administration Fees	\$2,232,251	\$1,102,992	\$1,129,259	102.38%
Commission	\$71,190	\$92,375	(\$21,185)	-22.93%
Consulting	\$1,029,947	\$140,671	\$889,276	632.17%
Other Income	\$151,359	\$58,326	\$93,033	159.51%
	<u>\$6,979,740</u>	<u>\$4,666,156</u>	<u>\$2,313,584</u>	<u>49.58%</u>

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

For the three months ended September 30, 2019 revenue grew by \$581,349 or 35.11% vs. the comparable three months ending September 30, 2018. The number of plan sponsor members was relatively unchanged during the reporting periods. The drivers of revenue growth in Q3 are attributable to three factors; 1) the consolidation of revenues from My Benetech and CBA for the full quarter this year compared to half a quarter in prior year; 2) increased revenue in the drug manufacturer portal and 3) implementation and integration revenue for new plan sponsors. The latter revenue source will be replaced by transaction fees and administration fees as plan sponsor integration is completed.

Additionally, more claims are being processed electronically as opposed to paper, which helps reduce overall cost. This trend is attributable to more providers signed on to our claims exchange and to the use of our enhanced web portal and mobile app.

Gross profit margins in the comparative three month rose given there was no incremental cost of sales from CBA and My Benetech. Operating expenses for the three-month period ending September 30, 2019 increased by approximately \$395,633 over the prior year comparable period primarily from operating costs of CBA and My Benetech.

With a solid pipeline of prospects we are optimistic our recent successes can be built upon. As noted in the past, conversion of prospects is always unpredictable and a lengthy process. On the balance sheet, cash balances decreased from year end due to the timing of working capital changes and continued investment in our technology. Current operations are generating adequate cash to meet Company requirements. As to the debt, the Company has replaced 71% of the original principle and interest, the remaining \$500,000 has been extended by the lender which is payable on August 31, 2021.

Cost of sales consist of 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 and administration software development and maintenance and commissions related to revenue generation.

Cost of sales of \$275,708 (2018 - \$252,080) for the period was 9.4% higher than the same period in the prior year.

	Three months ended September 30, 2019	Three months ended September 30, 2018	Dollar change
Expenses			
Compensation and external contractors	\$1,472,693	\$1,274,359	\$198,334
General and administrative / other	\$730,422	\$533,123	\$197,299
Total	\$2,203,115	\$1,807,482	\$395,633

Overall quarterly expenses of \$2,203,115 (2018 - \$1,807,482) increased by \$395,633 compared to the prior year quarter. As a percentage of sales, this decreased from 109% to 94% of sales, primarily resulting from a growing effort to maintain our cost-efficient model. From the table above, overall compensation costs increased by \$198,334, all of which was directly related to the consolidation of CBA and My Benetech. Of the \$197,299 increase in general and administrative, 75% (\$148,000) is non-cash related increases for amortization of intangibles and depreciation of property and equipment. The remaining increase (\$49,357) in costs were driven by full quarter expenses incurred by CBA and My Benetech in 2019 vs half a quarter in prior year. There were no other significant category cost increases and no material changes expected for the balance of the year.

Depreciation of computer software licenses and property and equipment is determined on a straight-line basis over their expected useful lives. Depreciation of right-of-use assets is calculated based on straight-line of the lease liability since commencement. In prior years, rental expense was shown as a line item, now it's an amortized figure in the income statement and the cash portion shown in the cash flow statement.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

As such, year over year comparative figures are now in different line categories. Office lease payments on a year over basis has remained consistent. Amortization of the intangible assets consist primarily with the costs associated with our first generation mobile app. Our second generation mobile app will have a new operating system with a transition targeted for the fall along. As a result, we have accelerated the amortization of first generation mobile costs to match the expected timing of the transition. Other client specific customization projects will also be completed and available for use in the fourth quarter. In both cases, associated costs are capitalized and will be amortized once the systems are in use.

Transactions with Related Parties and Shareholders

On November 1, 2017 the Company borrowed \$300,000 from a shareholder of the Company to assist with working capital, relating to technology projects. The loan bears interest at 8% and is repayable over forty-eight months of equal principal payments of \$6,250 plus interest. Principal payments commenced December 1, 2017. At September 30, 2019 the current portion of the unamortized fee was \$766 and the non-current portion was \$5,614. The balance outstanding as at September 30, 2019 is \$156,250 (2018 – 237,500).

As noted in the financial statements, the secured loan from an arm's length shareholder in the aggregate amount of \$1,750,000 matured on July 25, 2019. The Company has made a repayment of \$1,250,000. The remaining loan balance of \$500,000 has been extended to August 31, 2021 at a rate of six percent (6%) per annum.

On August 15, 2018 in connection with the acquisitions of CBA and My Benetech Inc. a portion of the purchase price was settled with a note payable of \$1,200,000 due on the second anniversary of the closing date. The fair value recorded is \$1,147,750 for the note payable. Cash on settlement will be \$1,100,000 and the remaining \$100,000 with shares of the Company based on the 10 day average closing price.

On May 30, 2019, a shareholder of the Company issued a loan to the Company in the amount of \$75,000. The loan bears interest at 8% and is repayable over ten monthly of equal principal instalments of \$7,500 with a final payment due on April 1, 2020. Amortized cost approximates fair value for this liability due to its short-term nature. The balance outstanding at September, 30 2019 was \$52,500.

In August and September 2019, four shareholders of the Company issued an unsecured loan to the Company in the amount of \$1,225,000 (an additional \$25,000 was advanced by another investor). Annualized interest of 8% on the loan is payable monthly with a final bullet payment due on January 31, 2021. A set-up fee of \$27,398 was paid in connection with the loan. Amortized cost approximates fair value for this liability due to its short-term nature. At September 30, 2019 the current portion of the unamortized fee was \$17,728 and the non-current portion was \$8,059.

Outstanding Share Data

As at September 30, 2019, the authorized share capital of the Company consisted of an unlimited number of common shares, an unlimited number of Class A preferred shares, an unlimited number of Class B preferred shares, an unlimited number of Class C preferred shares, an unlimited number of Class D preferred shares and an unlimited number of Class E preferred shares, of which 69,919,216 common shares were issued and outstanding at September 30, 2019. The Company currently has an aggregate of 5,550,000 options under the employee stock option plan, of which 783,333 are exercisable.

Liquidity and Capital Resources

Overall cash decreased in the first quarter as a result of our continued investment in technology enhancements. However, should accelerated growth or strategic opportunities arise, the Company will

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

evaluate such opportunities. The Company has demonstrated an ability to generate cash to fund growth opportunities and will continue to execute on its plans.

Financial Instruments and Other Instruments

As at September 30, 2019 all monies are held in cash at a major financial institution.

Plan Sponsor Funds on Deposit Arrangements

The Company had \$10,865,345 in funds on deposit as at September 30, 2019 (2018 - \$13,843,507), which represented amounts received or receivable 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. Both the asset and an equal corresponding liability have been recorded on the balance sheet in recognition of increasing focus by customers and to provide greater transparency on the asset / liability flows of the Company. Restricted client funds are segregated in a separate bank account, controlled by the company but can only be utilized per the terms of client contracts. As noted above, client contracts clearly state permitted uses of funds.

Critical Accounting Estimates

The compilation of financial results requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas that require the use of judgment are the valuation of common share purchase warrants, valuation of notes payable to shareholders and valuation of stock compensation. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant accounting judgments and estimation uncertainties

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are estimates and judgments applied by management that most significantly impact the interim consolidated financial statements. These significant estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Changes in Accounting Policies

Effective January 1, 2019, NexgenRx adopted IFRS 16, 'Leases'. IFRS 16 'Leases' replaces IAS 17, 'Leases' and requires most leases to be recognized as assets and liabilities on the consolidated statement of financial position. This standard includes an optional exemption for certain short-term leases and leases of low-value assets and became effective for fiscal periods beginning on or after January 1, 2019. Contracts assessed as falling within the scope of this standard are limited to The Company's operating lease obligations.

Property and equipment – estimated useful lives

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

NexgenRx Inc.

As at and for the three and nine months ended September 30, 2019

Valuation of stock based compensation and warrants issued

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

Additional information

Additional information related to NexgenRx Inc., including material change reports, press releases and other information is available at www.sedar.com.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.