



December 31, 2018

Management's Discussion and Analysis

NexgenRx Inc.

For the year ended December 31, 2018

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NexgenRx Inc.

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President's Message

Dear Shareholders,

The fourth quarter was a very positive and active quarter for the Company. In addition to consolidating a full quarter of positive financial results from Canadian Benefit Administrators Ltd. ("CBA") and My Benetech Inc. ("MBT") revenue from new clients provided a positive contribution. Revenue run rate ended the year on positive note that has carried through to the date of this report.

CBA is a Third Party Administrator ("TPA") providing administrative services to plan advisors and other intermediaries who wish to provide their clients with eligibility, enrolment & billing functionality, independent of any one insurance carrier. My Benetech provides a wholesale value-add SaaS (Software as a Service) platform to plan sponsors who have their own dedicated administrators. Together with NexgenRx our client offering has been significantly strengthened.

The fourth quarter ended with a profit of \$184,049 reflecting the positive contributing factors noted above. On a year over year basis, revenue increased by 26% with the net loss increasing due to acquisition related costs and other non-cash expenses detailed below. Revenue results, while higher than 2017, reflect the consolidation of a full quarter of My Benetech and CBA results. Given the relative consistency of results in our industry, the acquisition and new client revenue will continue the positive fourth quarter trend.

Product Development

Our web portal technology initiatives have been completed and the feedback has been positive with portal functioning as planned. The result is that users of all web-browsers have easy and seamless compatibility with our member-based interactive websites. In addition, the plan member experience continues to evolve through our full mobile technology, "**neXmobile®**" iPhone and Android mobile app. Software related to the mobile app has evolved since we first embarked on this application. We are currently revamping the app which will be implemented by the end of 2019 for clients. The mobile app transition will be seamless and provide an even better plan member experience. Making plan member utilization of mobile apps and online portals allows for quicker claims processing. In addition, we continue to rapidly enroll more targeted healthcare providers to submit claims via our proprietary secure web-portal, **theclaimsXchange.com**.

Looking Forward

We continue to have a solid pipeline of prospects and opportunities. Conversion of these opportunities into clients will provide meaningful revenue to the Company. The timing of conversion is unpredictable. 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

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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 as of April 8, 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 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.

Business Overview

The fourth quarter of 2018 represented our first full quarter of operating results of Canadian Benefit Administrators ("CBA") and My Benetech Inc. ("MBT"). The purchase price of \$4,000,000 was settled with \$2,800,000 paid upon closing with the balance of \$1,200,000 due on the second anniversary of the closing date, subject to certain standard purchase price adjustments and subject to acceleration of payment in the event of a change of control. The amount paid on the closing date consisted of a cash payment of \$2,650,000, together with an aggregate of \$150,000 in common shares of the Company. An aggregate of 600,000 common shares were issued to the vendors (and allocated among them on a pro rata basis) on the closing date at a price of \$0.25 per share. The remaining balance is due two years from date of closing and will also be guaranteed by CBA and MBT. In addition, of the remaining balance, \$1,100,000 will be paid in cash (subject to adjustments), with the remaining \$100,000 in consideration being issued in the form of shares at a price based upon the ten (10) day average closing price on the two year anniversary of closing (or earlier, in the event of acceleration upon a change of control). The remaining cash portion is subject to a purchase price adjustment in certain circumstances, such as failure to meet earnings and working capital targets. Financing for the cash portion of the purchase price was arranged by way of a secured loan from an arm's length shareholder in the aggregate amount of \$1,750,000, which has been fully funded. The loan bears interest at a rate of four percent (4%) per annum and matures on the date that is one (1) year, plus one (1) day from the date of issuance.

The principals of each of the acquired companies have entered into long-term employment agreements and were granted an aggregate of 500,000 options to acquire common shares in the capital of NexgenRx at a price of \$0.25 for a period of 10 years (vesting as to 33.3% each year for three years, beginning on the first anniversary of the grant date). All such options (and the common shares issuable upon exercise) will be subject to applicable securities law hold periods.

Acquisition Update

As we've noted above NexgenRx Inc completed the acquisition of two benefits administration companies, Canadian Benefit Administrators Ltd. ("CBA") and My Benetech Inc. ("MBT") on August 15, 2018. CBA is a Third Party Administrator ("TPA") providing administrative services to plan advisors and other intermediaries who wish to provide their clients with eligibility, enrolment & billing functionality, independent of any one insurance carrier. CBA has a team of administrators providing this service on behalf of various plan sponsors. MyBenetech provides a wholesale value-add SaaS (Software as a Service) platform to plan sponsors who have their own dedicated administrators wishing to have the independence from any one insurance carrier, as well as TPA's like NexgenRx. Both organizations use the industry-leading "Vital Objects" software, as the software platform.

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The acquisition was recorded as follows;

My Benetech Inc

Fair Value of Identifiable Net Assets	\$
Cash and cash equivalents	95,307
Restricted funds on deposit	190,034
Accounts receivable, other	31,701
Property and equipment	4,884
Intangibles, IP software license	1,210,000
Intangibles, Customer relationships	190,000
Client funds	(190,034)
Trade payables and notes payable	(29,914)
Deferred tax liability	(371,000)
Net assets acquired	<u>1,130,978</u>
Consideration paid	
Cash	1,060,000
Shares issued	60,000
Note payable - cash portion	423,500
Note payable - share portion	35,600
Total consideration paid	<u>1,579,100</u>
Total goodwill	<u>448,122</u>

Canadian Benefit Administrators Ltd

Fair Value of Identifiable Net Assets	\$
Cash and cash equivalents	229,205
Restricted funds on deposit	5,411,736
Accounts receivable, other	54,467
Property and equipment	22,180
Intangibles, IP software licence	1,390,000
Intangibles, Customer relationships	660,000
Client funds	(5,411,736)
Trade payables and notes payable	(236,962)
Deferred tax liability	(543,250)
Net assets acquired	<u>1,575,640</u>
Consideration paid	
Cash	1,590,000
Shares issued	90,000
Note payable - cash portion	635,250
Note payable - share portion	53,400
Total consideration paid	<u>2,368,650</u>
Total goodwill	<u>793,010</u>
Current operations	

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The Company earns revenue on the sale of its administration and health benefit claims adjudication services to various organizations who manage health benefit plans on behalf of a number of plan sponsors (employers, associations, etc.) and to a lesser extent, directly to large Canadian plan sponsors who wish to provide an Administrative Services Only (“ASO”) health benefit plan to their plan members. 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 plan sponsors can extend over several years, and are reviewed by management prior to renewal for any plan design or pricing changes. Plan sponsors can terminate contracts 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 restricted funds on deposit 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.

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.

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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 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 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 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

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- (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, AD&D, and LTD 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 eligiblity 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.

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.

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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 are 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 are 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 meeting 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 revised 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.

Revenue Concentration

For the period ended December 31, 2018, 51% of the company's revenue was derived from three clients (2017 - 72%). 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. We expect concentrate levels will continue at current levels.

Market conditions remain 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 is not limited to, responsiveness, dedicated customer relation staff, flexible structuring of offerings, ability to react and accommodate specific needs very quickly, customize our systems to meet client needs to name a few.

To reduce this risk and exposure the Company has, and continues to make, a concerted effort to add new customers. The goal is to continue to reduce exposure to any one client, develop new revenue channels, increase revenues in all areas, but in particular, to add and increase ancillary product offerings. Increasing the number of clients will reduce concentration risks as well. Progress has been made by targeting higher potential client wins and persistently marketing and quoting on prospective clients that seek our offering. With the acquisition and new client implementations the results of our efforts will begin to materialize in the upcoming quarters.

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Summary of Selected Quarterly Information

Prepared in accordance with IFRS

	Q1, 2018	Q2, 2018	Q3, 2018	Q4, 2018
	\$	\$	\$	\$
Total revenue	1,545,558	1,464,698	1,655,900	2,503,323
Net income	(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

	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017
	\$	\$	\$	\$
Total revenue	1,504,926	1,437,166	1,399,179	1,330,279
Net income	17,042	(109,455)	(151,685)	(381,809)
Basic income (loss) per common share	0.000	(0.002)	(0.003)	(0.005)
Total assets	8,563,160	8,922,183	9,052,077	9,668,195
Total liabilities	7,762,330	8,169,828	8,450,102	7,706,103
Shareholders' equity / (deficiency)	800,830	752,355	601,975	1,962,092

Total Assets / Liabilities

There were no transactions outside of normal operations. Client deposits fluctuate on claims experience with the result being our deposit levels dropped. Year over year cash balances dropped from a combination of a reduction of payables, loans and cumulative operating losses for the year.

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).

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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 December 31, 2018	Three months ended December 31, 2017	Dollar change	%age change
Revenues	\$	\$		
Transaction Fees	1,111,659	1,003,949	107,710	10.73%
Administration Fees	770,104	274,208	495,896	180.85%
Commission	26,132	25,765	367	1.42%
Consulting	440,858	14,830	426,028	2872.74%
				1240.940
Other Income	154,570	11,527	143,043	%
	<u>2,503,323</u>	<u>1,330,279</u>	<u>1,173,044</u>	<u>88.18%</u>
	Year ended December 31, 2018	Year ended December 31, 2017	Dollar change	%age change
Revenues	\$	\$		
Transaction Fees	4,383,451	4,261,036	122,415	2.87%
Administration Fees	1,873,096	1,186,212	686,884	57.91%
Commission	118,507	118,053	454	0.38%
Consulting	581,529	71,446	510,083	713.94%
Other Income	212,896	34,803	178,093	511.72%
	<u>7,169,479</u>	<u>5,671,550</u>	<u>1,497,929</u>	<u>26.41%</u>

For the year ended December 31, 2018 revenue grew by \$1,497,929 or 26.41% vs. the comparable year ending December 31, 2017. The number of plan sponsor members was relatively unchanged during the reporting periods. The drivers of revenue growth in 2018 are attributable to three factors; 1) the consolidation of revenues from My Benetech and CBA; 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. Gross profit margins in the comparative three month rose given there was no incremental cost of sales from CBA and MBT. On a year over year comparison the gross margin improved by 5% for the reasons noted above. Operating expenses for the year ending December 31, 2018 increased by approximately \$1,580,649 over the prior year comparable period primarily from operating costs of CBA and MBT and the related acquisition costs.

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For the three months ended December 31, 2018 revenue grew by \$1,173,044 or 88.18% vs. the comparable three months ending December 31, 2017 with the major contributing factor being the acquisition of CBA and MBT. Operating expenses for the three-month period ending December 31, 2018 increased by approximately \$596,000 over the prior year comparable period primarily from operating costs of CBA and MBT. As with the overall year end results, the majority of margin increase was in the fourth quarter for the reasons noted above.

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 cash utilized in the acquisition of My Benetech and CBA, operating losses, the timing of working capital changes and continued investment in our technology. A private placement at \$0.25 per share was completed October 11th, 2018 in the amount of \$425,000 to support working capital needs. With the exception of our loan coming due in July there are no significant cash outlays expected. Current operations are generating adequate cash to meet Company requirements. As to the debt coming due the company is exploring options to refinance and or repay the amount.

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 \$1,131,511 (2017 - \$1,119,176) for the year was \$12,335 higher compared with the same period in the prior year. This change is a result of an increased number of transactions processed.

	Three months ended December 31, 2018	Three months ended December 31, 2017	Dollar change
Expenses			
Compensation and external contractors	1,334,389	1,008,882	325,507
General and administrative / other	706,980	436,465	270,515
Total	<u>2,041,369</u>	<u>1,445,347</u>	<u>596,022</u>
	Year ended December 31, 2018	Year ended December 31, 2017	Dollar change
Expenses			
Compensation and external contractors	4,721,250	3,773,982	947,268
General and administrative / other	2,037,680	1,404,299	633,381
Total	<u>6,758,930</u>	<u>5,178,281</u>	<u>1,580,649</u>

Overall yearly expenses of \$6,758,930 (2017 - \$5,178,281) increased by \$1,580,649 compared to the prior year. The increase in compensation / external contractors was due to increased staffing in the sales / customer service area, additional contractors and acquisition related costs. Independent contractors are used for specialist roles and provides the company with flexible costing. Compensation costs also include compensation expenses of \$472,450 of the acquired companies. Of the \$633,381 increase in general and administrative, \$270,200 is non-cash related to the amortization of intangibles and stock option expense. The remaining increase \$363,181 in costs were driven primarily by marketing costs, and the professional fees and increased loan interest expense associated with the acquisition. There were no other significant category cost increases. The additional staffing has improved onboarding of new clients, account management of clients, IT process improvements and sales / marketing efforts. The full benefits of these changes are beginning to materialize particularly in the existing customer experience. The Company works to maintain a balance between new hires and new client contracts.

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Depreciation of computer software license and property and equipment is determined on a straight-line basis over their expected useful lives. Amortization of the intangible assets, the costs associated with our mobile app began amortizing. Our mobile app will have a new operating system with a transition targeted for the fall along. 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

During the year ended December 31, 2017, the company entered into a related party transaction whereby a shareholder of the company issued a loan to the company in the amount of \$60,000. The loan is unsecured and payable in ten equal payments of \$6,000 and interest of 8% on the remaining balance due on the 15th of each month, ending August 15, 2018. The loan was fully repaid during the year in accordance with the loan terms.

On November 1st, 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 1st, 2017. At December 31, 2018 the current portion of the unamortized fee was \$3,063 and the non-current portion was \$5,614. The balance outstanding as at December 31, 2018 is \$218,750 (2017 – 293,750).

As noted in the acquisition update financing for the cash portion of the purchase price was arranged by way of a secured loan from an arm's length shareholder in the aggregate amount of \$1,750,000. The loan bears interest at a rate of four percent (4%) per annum and matures on the date that is one (1) year, plus one (1) day from the date of issuance. Interest accrues monthly and is payable at maturity. The loan matures July 24, 2019. The Company is currently exploring renewal or repayment options.

On August 15, 2018 in connection with the acquisitions of Canadian Benefit Administrators ("CBA") and My Benetech Inc. ("MBT") 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.

Outstanding Share Data

As at December 31, 2018, 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 December 31, 2018. 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

The fourth quarter was a turning point from a cash flow perspective. Increased revenues from the acquisition, new sales initiatives, consulting income and other income have generated increased cash flows. Cash available for operations are sufficient to cover operating costs. As noted above, the loan due July is expected to be replaced or renewed on or before maturity. Management has a demonstrated track record over several years of raising capital when required. This was evidenced by the \$425,000 cash raised from a private placement and debt raised from shareholders to complete the acquisition.

NexgenRx Inc.

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Financial Instruments and Other Instruments

As at December 31, 2018 all monies are held in cash at a major financial institution.

Plan Sponsor Funds on Deposit Arrangements

The company had \$10,866,717 in funds on deposit as at December 31, 2018 (2017 - \$6,473,621), which represented amounts received or receivable from customers to settle plan sponsor insurance premiums, 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. The increase is a direct result of the acquisition of CBA/MBT as they too maintain customer deposits. Both the asset and an equal corresponding liability have been recorded on the balance sheet this year in recognition of increasing focus by customers and to provide greater transparency on the asset / liability flows of the Company. The increase is due to consolidation of the funds from the acquired companies.

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 financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas that require the use of judgment are, valuation of goodwill on the acquisition and the associated software licence and customer list allocations. Other areas of valuation include notes payable to shareholders and 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 financial statements. These significant estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

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.

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.

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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.