



December 31, 2019

Management's Discussion and Analysis

NexgenRx Inc.

For the year ended December 31, 2019

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NexgenRx Inc.

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President's Message

Dear Shareholders,

While 2019 ended on a positive note with new recurring revenue producing a growth rate of 33.06%, this positive momentum has been disrupted with the COVID-19 pandemic. This has already and will continue to impact 2020 results.

For 2019, our loss of \$207,935 was an improvement of \$488,927 compared to the 2018 loss of \$696,862. Our fourth quarter net loss of \$62,256 reflected our ongoing investments in prospective clients and technology upgrades. As noted above, revenue improved by 33.06% on a year over year basis, of which 16% was driven by new clients and the balance from the integration of MyBenetech and Canadian Benefit Administrators.

Positive EBITDA for the year was \$986,969, representing a \$1,190,593 improvement over the prior year. With the introduction of accounting standards IFRS 16 affecting the new handling of leases in 2019, our 2018 EBITDA (based on the new accounting standards) would be adjusted from (\$207,935) to (\$9,261), reflecting an improvement of \$996,230 year over year.

Though we exited 2019 on a strong and positive note, we have experienced the impact of the COVID-19 pandemic in 2020. We generate a significant portion of our revenue through dental and extended health care transactions. With the stay at home policies and government directives closing dental and other health practitioners, our revenue has declined and will continue at lower levels until governments lift restrictions. As pharmacies are deemed essential and remain open, drug transactions, while lower, have been not been affected significantly as of now.

On March 17th, we successfully implemented our Business Continuity Plan (BCP) and have had all employees working from home since that date. During these difficult times, I want to commend our staff for providing continued services in processing claims and responding to call centre inquiries. All departments are functioning remotely with no disruption to service. We have taken an extraordinary step in reducing salary costs by 20% by asking staff to reduce their work week by 20%. Departments have either reduced their hours per day or taken one day a week to attend to personal matters, the result of which is a reduction in costs while maintaining service levels expected of our plan members and health care providers. In addition, temporary layoffs have been implemented as a further step to reduce costs. Government programs will be utilized where possible.

Product Development

Our web portal technology initiatives have been completed and the feedback has been positive with the 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. Plan member mobile apps and online portals allow 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

Though COVID-19 will undoubtedly impact our 2020 financial results, 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, perhaps even moreso during the current uncertain times. 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

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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.

In spite of the short-term impact that COVID-19 will have, NexgenRx continues to be well positioned to capitalize on the market's demand for an alternative to the traditional group benefits offerings and we look forward to returning to our path of sustained growth of our business once the COVID-19 pandemic subsides.

As always, thank-you to our Customers, Staff, Board members and Shareholders for your continued loyalty, support and confidence in NexgenRx, particularly during these challenging times.

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 9, 2020. 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.

Business Overview

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 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.

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Current operations

Fiscal 2019 was an eventful year. The highlights were

- Technical enhancements to the mobile app
- Technical upgrades to our member web portal
- Transition work on our core technology
- Market growth in drug manufacturers and administrative only clients

Together our core technology is state of the art with unlimited scale. The benefits of best in class technology that is scalable will place the company in a favourable position to add revenue with minimal cost.

Fiscal 2020 is shaping up to be a challenging year. The Covid-19 pandemic has materially affected the Company and the world. Revenue attributed to health care providers now lost is approximately \$200,000 per month. Until health authorities lift restrictions we will continue to experience reduced revenue. To assist in offsetting this decline we have reduced compensation by going to a four day work week meaning a 20% salary reduction. Other discretionary expenses have been eliminated where possible and reduced elsewhere. Other cost saving measures taken are expected to closely match our revenue declines. The implications are recent and ongoing implications are not predictable. We will act quickly to adjust to changing market conditions while maintaining service levels our clients expect.

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 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 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 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 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, 2019, 39% of the company's revenue was derived from three clients (2018 - 51%). 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 concentration levels will be moderately higher in the short term as a result of a new contract signed with a major client.

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

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

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seek our offering. With the acquisition and new client implementations the results of our efforts will begin to materialize in the upcoming quarters.

Summary of Selected Quarterly Information

Prepared in accordance with IFRS

	Q1, 2019	Q2, 2019	Q3, 2019	Q4, 2019
	\$	\$	\$	\$
Total revenue	2,382,913	2,359,578	2,237,249	2,560,230
Net income	107,977	(34,938)	(218,718)	(62,256)
Basic income per common share	0.002	(0.000)	(0.003)	(0.001)
Total assets	19,525,323	18,490,613	18,705,593	21,193,928
Total liabilities	17,492,154	16,444,840	16,832,275	19,353,215
Shareholders' equity / (deficiency)	2,033,169	2,045,773	1,873,318	1,840,713

	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 per common share	(0.002)	(0.007)	(0.006)	0.003
Total assets	9,567,519	8,731,084	19,893,501	18,022,757
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.

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

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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	Three months ended		
	December 31, 2019	December 31, 2018	Dollar change	% change
Revenues	\$	\$		
Transaction Fees	1,344,014	1,111,659	232,355	20.90%
Administration Fees	894,757	770,104	124,653	16.19%
Commission	25,168	26,132	-964	-3.69%
Consulting	233,762	440,858	-207,096	-46.98%
Other Income	62,529	154,570	-92,041	-59.55%
	<u>2,560,230</u>	<u>2,503,323</u>	<u>56,907</u>	<u>2.27%</u>

	Year ended	Year ended		
	December 31, 2019	December 31, 2018	Dollar change	% change
Revenues	\$	\$		
Transaction Fees	4,839,007	4,383,451	455,556	10.39%
Administration Fees	3,127,008	1,873,096	1,253,912	66.94%
Commission	96,358	118,507	-22,149	-18.69%
Consulting	1,263,709	581,529	682,180	117.31%
Other Income	213,888	212,896	992	0.47%
	<u>9,539,970</u>	<u>7,169,479</u>	<u>2,370,491</u>	<u>33.06%</u>

For the year ended December 31, 2019 revenue grew by \$2,370,491 or 33.06% vs. the comparable year ending December 31, 2018. The drivers of revenue growth in 2019 are attributable to three factors; 1) the consolidation of revenues from My Benetech and CBA for the full year (vs four months in 2018); 2) increased revenue in the drug manufacturer portal and 3) implementation and integration revenue for new plan sponsors. The latter revenue source is now part recorded as transaction fees and administration fees given the plan sponsor integration was completed in the fourth quarter. Gross profit margins in the comparative three month rose slightly by 2%.

For the three months ended December 31, 2019 revenue grew by \$56,907 or 2.27% vs. the comparable three months ending December 31, 2018. Operating expenses for the three-month period ending

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December 31, 2019 increased by \$269,731 over the prior year comparable period primarily due to implementation costs incurred for setting up new plan sponsors.

New business opportunities are currently on hold as most organizations are closed or operating on limited capacity. This is expected to remain muted until the fall, assuming health restrictions are lifted. On the balance sheet, cash balances decreased from year end, due to overall operating losses, loan repayment and continued investment in our technology. Current operations are generating adequate cash to meet Company requirements.

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 \$1,174,373 (2018 - \$1,131,511) for the year was \$42,862 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, 2019	Three months ended December 31, 2018	Dollar
Expenses			
Compensation and external contractors	1,535,478	1,334,390	201,088
General and administrative / other	775,623	706,980	68,643
Total	2,311,101	2,041,370	269,731

	Year ended December 31, 2019	Year ended December 31, 2018	Dollar change
Expenses			
Compensation and external contractors	5,796,902	4,721,250	1,075,652
General and administrative / other	2,849,581	2,037,680	811,901
Total	8,646,483	6,758,930	1,887,553

Operating expenses for the year ending December 31, 2019 increased by approximately \$1,887,553 over the prior year comparable period primarily from full year of operating costs of CBA and MBT, customer acquisition cost and shareholder loan replacement cost.

Overall yearly expenses of \$8,646,483 (2018 - \$6,758,930) increased by \$1,887,553 compared to the prior year. Of this increase, \$985,984 was related to full year operating costs of CBA and MBT in the current year. The increase in compensation / external contractors was mainly resulted from full year of CBA and MBT operations, an incremental cost of \$831,451 to the prior year. Other contributing factors include additional staffing in the call centre / customer service area, contractors and customer acquisition related costs. Independent contractors are used for specialist roles and provides the company with flexible costing. Of the \$811,901 increase in general and administrative, \$147,768 was related to full year of CBA and MBT operations as noted above. \$356,875 was non-cash related to the amortization of intangibles and stock option expense. The remaining increase \$307,258 in costs were driven primarily by marketing costs 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.

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

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mobile app and member web began amortizing. 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 December 31, 2019, the current portion was \$3,062 and the non-current portion was \$2,552. The balance outstanding as at December 31, 2019 is \$143,750 (2018 – 218,750).

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 Canadian Benefit Administrators 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 December 31, 2019 was \$30,000.

In August and September 2019, four shareholders of the Company issued an unsecured loan to the Company in the amount of \$1,250,000 (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 December 31, 2019 the current portion of the unamortized fee was \$19,571.

Outstanding Share Data

As at December 31, 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 December 31, 2019. The Company currently has an aggregate of 5,250,000 options under the employee stock option plan, none of which are exercisable.

Liquidity and Capital Resources

Management has a demonstrated track record over several years of raising capital when required

Financial Instruments and Other Instruments

As at December 31, 2019 all monies are held in cash at a major financial institution.

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Plan Sponsor Funds on Deposit Arrangements

The company had \$13,471,059 in funds on deposit as at December 31, 2019 (2018 - \$10,866,717), 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 result of organic growth in the existing client base as well as new clients acquired. 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. 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 the valuation of common share purchase warrants, valuation of convertible debentures, valuation of notes payable to shareholders, 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 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.

IFRS 16 Leases have been adopted by the Company effective January 1, 2019 using the modified retrospective approach. The cumulative financial effect of the adoption has been recognized as an adjustment to opening deficit as at January 1, 2019, with the standard applied prospectively. Adoption of the standard on January 1, 2019 has resulted in an increase in right-of-use assets and lease liabilities. All right-of-use assets are recognized within property, plant and equipment and all lease liabilities are recognized in current and non-current lease liabilities.

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.

NexgenRx Inc.

For the year ended December 31, 2019

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.