**June 30, 2016**
**Management's Discussion and Analysis**

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# NexgenRx Inc.

## For the three months ending June 30, 2016

## ***President's Message***

Dear Shareholders,

I am pleased to present the Q2 '16 results which continue to demonstrate steady revenue growth, resulting in another profitable quarter for NexgenRx. Revenue for the six months ended June 30, 2016 reached $2,977,820 or 25% higher than the same period last year. Revenue for the quarter increased 34% compared to the same period last year with 24% of the growth coming from the successful execution of the focused industry sales strategy and 10% from customizing our technology to specific clients' requirements. Evolution in the marketplace requires more customization which helps differentiate NexgenRx's technology from competitors. We expect to see continued revenue growth from our focused sales strategy and periodic plan sponsor customizations.

Our sales strategy of focused client acquisition is generating a broader client base for the company, reducing our economic dependency on key clients. We have analyzed where we add value in the marketplace, looking at where we win and are concentrating on those areas with successful results.

During the quarter, we continued to enhance our products to better respond to the needs of our new and existing clients. Over the ensuing months, plans include rapidly expanding our technology reach to allow more healthcare providers to submit claims via ***theclaimsXchange.com*** as well as enhancing the plan member experience through ***nexmobile***® our iPhone and Android mobile app.

**Looking Forward**

Our technology-driven offering is recognized as a differentiator by 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. These combined capabilities allow us to provide complete solutions to our target market that need sophisticated health benefit technology applications, in a cost-effective manner. We are committed to building partnerships with organizations striving to exceed the expectations of their clients and to deliver superior administration and claims processing solutions at a competitive price.

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 2016.

As always, I wish to thank our Customers, Staff, Board and Shareholders for your continued loyalty, support and confidence in NexgenRx.

Sincerely,

Ronald C. Loucks
President and CEO

### 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 July 27, 2016. The Company's financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") on a going-concern basis.
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 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. The Company provides claims adjudication services covering three major benefit classes; drug, dental and extended health care, plus healthcare spending account. A client may select any one or combination of these as part of their benefit plan.

Contracts with clients 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 funds in transit account maintained by the Company, 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.

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 very small 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 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) *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;

(ii) *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;

(iii) *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. This provides the customer/ sponsor 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;and

(iv) *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 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.

The company's revenue is concentrated in a small number of large clients. For the period ended June 30, 2016, 72% (2015 - 81%) of the company's revenue was derived from three clients. The loss of any one of these clients would have a significant impact on the company's future revenue.

***Summary of Selected Quarterly Information***

**Prepared in accordance with IFRS**

| | **Q2 2016 $** | **Q1 2016 $** |
|---|---|---|
| Total Revenue | **1,565,891** | 1,411,929 |
| Net Income | **89,363** | 47,843 |
| Basic and fully diluted earnings per share | **0.002** | 0.001 |
| Total Assets | **838,699** | 706,750 |
| Total Liabilities | **(776,892)** | (737,756) |
| Shareholders' Equity (Deficiency) | **61,807** | (31,006) |

**For the three months ending June 30, 2016**

| | Q4, 2015 $ | Q3, 2015 $ | Q2, 2015 $ | Q1 2015 $ |
|---|---|---|---|---|
| Total Revenue | 1,130,549 | 1,188,545 | 1,171,611 | 1,201,317 |
| Net Income/ (loss) | (183,996) | (118,195) | 109,306 | 4,560 |
| Basic and fully diluted earnings per share | (0.003) | (0.002) | 0.002 | 0.00 |
| Total Assets | 684,123 | 629,529 | 753,086 | 860,882 |
| Total Liabilities | (768,052) | (527,784) | (537,573) | (1,311,331) |
| Shareholders' Equity (Deficiency) | (83,929) | 101,745 | 215,513 | (450,449) |

| | Q4, 2014 $ | Q3, 2014 $ | Q2, 2014 $ | Q1 2014 $ |
|---|---|---|---|---|
| Total Revenue | 1,092,089 | 1,015,336 | 1,074,973 | 1,034,006 |
| Net Loss | (132,075) | (172,510) | (114,531) | (58,500) |
| Basic and fully diluted earnings per share | (0.004) | (0.003) | (0.002) | (0.001) |
| Total Assets | 717,195 | 824,578 | 1,006,838 | 1,138,632 |
| Total Liabilities | (1,181,745) | (1,166,595) | (1,187,966) | (1,216,866) |
| Shareholders' Deficiency | (464,550) | (342,017) | (181,128) | (78,234) |

***Results of Operations***

Revenue consists primarily of fees per health benefit claim transaction adjudicated. Both electronic and paper-based health benefit claims are adjudicated, with fees set by contract with each plan sponsor or TPA. In addition, with the concurrence of its plan sponsor and TPA customers, the Company is entitled to retain the interest earned on funds deposited with the Company by them in advance of the payment of adjudicated claims to health care providers or to plan members.

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

Administration and other fees are the fees charged to provide the initial enrolment, ongoing eligibility tracking and monthly billing services. Administration revenue is recorded based on the actual number of members per month as at the first of the month according to the rates specified in each customer agreement.

Transactions processed during the quarter ended June 30, 2016 generated revenue of $1,565,891 compared with $1,171,611 during the same period in 2015. The increase of 24% is as a result of new sales and organic growth and 10% is as a result of two consulting contracts during the quarter, for total of 34% increase in comparison to the same period is 2015. The Company earned interest of $5,705 on its available

funds during the quarter ended June 30, 2016 (2015, $7,478). The decrease in interest is a result of quicker claims settlement through member on-line claim submission which equates to lower daily funds balances used for interest calculations.

Cost of sales consists primarily 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 platform, related technology support, and the cost of adjudication and administration software development and maintenance.

Cost of sales of $287,057 during the quarter ended June 30, 2016 was $45,118 higher compared with the same period in 2015 mainly due to increased communication cost resulting from higher transaction volume and commissions resulting from higher revenue.

Other expenses affecting net income were $1,161,759 for the quarter ended June 30, 2016 which were $145,634 higher compared with the same period in 2015. The major contributors are the increase in compensation, professional fees and office expense.

| | **Q2 2016** | Q2 2015 |
|---|---|---|
| | **$** | $ |
| Compensation and External Contractors | **849,383** | 739,883 |
| Rent | **50,957** | 51,439 |
| Professional Fees | **80,599** | 46,140 |
| Office Expenses | **50,295** | 42,456 |
| Marketing | **67,944** | 69,947 |
| Insurance | **36,090** | 34,214 |
| Postage | **10,663** | 11,177 |
| Bank Charges | **15,828** | 20,869 |
| | **1,161,759** | 1,016,125 |

The increase in compensation and external contractors is the result of additional human resources required to meet the revenue growth of the business. Office expenses have increased in Q2 2016 mainly as a result of a onetime setup fee and implementation of a new telephone and CRM system. The professional fee increase is primarily the cost of the company's legal counsel on contract setups.

Amortization of computer software license and property and equipment consist of the amortization, on a straight-line basis, of computer equipment, furniture, leasehold improvements and software costs over their expected useful lives.

Amortization of property and equipment was $8,451 for the period ended June 30, 2016, slightly higher than the same period in 2015. Amortization of computer software licenses was $11,077 for the period ended June 30, 2016 which is $1,682 higher in comparison to the same period in 2015 due to software license renewals and purchases during Q3 and Q4 of 2015.

The fair value of outstanding stock options and warrants is determined on their date of grant using the Black-Scholes option pricing model. The fair value is recorded as a compensation expense over the period that the options and warrants vest.

Stock option expense was $3,450 for the period ending June 30, 2016, $3,204 lower than the same period in 2015. The decrease is as a result of shorter remaining contractual life of options.

## For the three months ending June 30, 2016

Net Income was $89,363 for the period ended June 30, 2016, $19,943 lower than the same period in 2015. The decreased net income is a result of extinguishment of a liability in 2015. The company had an agreement with one of its large clients to be reimbursed for certain banking fees which accumulated during the period of 2007 to 2011. These charges were recorded as bank expenses and as a liability. During 2015, the agreement was re-considered and the client forgave the liability, resulting in a onetime gain on extinguishment of $231,194.

### ***Transactions with Related Parties***

The Company entered into the following transactions with related parties:

In December 2015, two shareholders issued a loan to the company in the amount of $80,000. The loan is payable on the 15th of each month with annualized interest of 8% payable on the remaining balance. The last payment is due in October 2016. Amortized cost approximates fair value for these liabilities due to their short-term nature.

In addition, in December 2015, another two shareholders of the company issued an unsecured loan to the company in the amount of $150,000. The loan is payable on December 15, 2020 with an annualized interest rate of 8% payable monthly on the unpaid amount of the loan. It is the company's intention to repay the full amount of the $150,000 long-term portion of notes payable to shareholders within a year. Since the balance is going to be settled within a one-year period, the carrying value of the loan approximates its fair value and no further discounting of the balance is required.

### ***Outstanding Share Data***

As at June 30, 2016, the authorized share capital of the Company consisted of an unlimited number of common shares, and an unlimited number of Class A preferred shares, Class B preferred, Class C preferred, Class D preferred and an unlimited number of Class E preferred shares. A total of 58,774,296 common shares were issued and outstanding at June 30, 2016. The Company had granted an aggregate of 3,220,000 options under the employee stock option plan, of which 2,652,753 were exercisable, but unexercised, as June 30, 2016.

### ***Financial Instruments and Other Instruments***

As at June 30, 2016 all monies are held in cash.

### ***Off Balance Sheet Arrangements***

Acting as paying agent, the company had $7,244,000 in funds in transit as at June 30, 2016 (2015 - $6,250,000), 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. These amounts have been presented on a net basis since these funds do not belong to the company and are held in funds in transit accounts.

### ***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.*