nexgenRx

March 31, 2024

Management's Discussion and Analysis

Table of Contents

President's Message

Dear Shareholders,

I am pleased to announce our record first quarter earnings achieved as of March 31, 2024, through business growth and sales momentum. These first quarter results set the foundation for our performance throughout the year.

The Company achieved revenue of $4,292,731 in Q1 2024, an increase of $834,112 or 24.12%, compared to the first quarter of 2023. The growth is primarily due to the rise in administration revenue resulting from the introduction of SaaS solutions to our customers in 2023, in addition to a significant sales pipeline converted into revenue. Q1 2024 also reported an increase in both net income and EBITDA over the comparable period prior year. We achieved a Net Income and EBITDA of $460,949 and $770,837 respectively, an increase of $266,022 in net income and $251,776 in EBITDA over Q1 last year. Cash position remained strong at $1,361,027, after cash dividend payouts of $385,656 to the common shareholders and series 1 preferred shareholders in January 2024.

Product Development

The completed .NET re-write of our claims adjudication platform allows us to put our focus to the release of our enhanced iBenefits NexAdmin platform. This important step adds new functionality plus an enhanced member experience all in a newly developed web-based application, that our customers are really appreciating. The user experience features a brand-new look and feel incorporating all of the latest market features into our proven robust administration platform. 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 are well prepared for increased demand for efficient benefits administration and claims processing. Implementation of these opportunities will provide increased meaningful revenue for the Company. Our technology-driven offering is recognized as a differentiator for customers seeking more cost-effective solutions for their administration needs as well as adjudication of 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 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.

This year, we continue our new phase as a technology solution provider, promoting and expanding our fully managed SaaS solutions that empowers our customers to self-manage their benefit plans effectively and efficiently. The Company is always evolving to meet the needs of clients. There are many challenges but also many exciting things happening. We are still dealing with a complicated industry landscape. Talent recruitment and retention, inflation, and ever-escalating client demands. It is a vastly different environment to navigate, along with keeping our product evolution, cost controls and the health and wellness of our talented team as priorities.

2024 marks the 20th anniversary of operations of NexgenRx. This significant milestone is particularly gratifying to me as the Company continues to expand its reach in the marketplace with new and innovative product solutions. As always, I would like to acknowledge our loyal shareholders, Board of Directors for their dedication, advice and counsel; our hard-working staff and most importantly, the continuous support and trust of our customers, in their commitment to the NXG Group of Companies.

Regards,

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 May 16, 2024. The Company's consolidated financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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.

The Industry

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

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

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

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

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

A trend that started with union trustee plans and now extends to traditional employer plans is the role of a Third-Party Administrator. By retaining a Third-Party Administrator, plan sponsors are able to control their own employee or member data independent of any one insurance company. This allows for the use of multiple carriers to provide a group benefits plan. An employer can utilize the best carrier for the life insurance component, for example, while utilizing a specialty carrier for other insurance coverage. Use of a Third-Party Administrator also enables the employer to find the best provider of health benefit administration services, such as NexgenRx, since the Third-Party Administrator handles all 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;

(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; and

(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.

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 March 31, 2024, 48% of the company's revenue was derived from three clients (2023 - 53%). The loss of any one of these clients could have a significant impact on the company's future revenue, however the risk is mitigated through long-term recurring revenue contracts. 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 clients and our subsidiaries, customer concentration levels have increased.

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, and 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 coming year.

<u>Summary of Selected Quarterly Information</u>

Prepared in accordance with IFRS Accounting Standards

	Q1, 2024			
	$			
Total revenue	4,292,731			
Net income	460,949			
Basic and diluted income per common share	0.006			
Total assets	29,289,368			
Total liabilities	21,014,736			
Shareholders' equity	8,274,632			

	Q1, 2023	Q2, 2023	Q3, 2023	Q4, 2023
	$	$	$	$
Total revenue	3,458,619	3,423,785	3,390,174	3,573,751
Net income	194,927	(8,587)	(130,731)	(387,579)
Basic and diluted income (loss) per common share	0.003	(0.000)	(0.002)	(0.005)
Total assets	28,600,234	28,848,344	29,436,888	30,196,779
Total liabilities	19,577,936	20,247,677	20,927,857	22,481,907
Shareholders' equity	9,022,298	8,600,667	8,509,031	7,714,872

	Q1, 2022	Q2, 2022	Q3, 2022	Q4, 2022
	$	$	$	$
Total revenue	3,173,876	3,113,202	3,114,382	3,379,768
Net income (loss)	377,956	30,068	(64,607)	(365,818)
Basic and diluted income (loss) per common share	0.005	0.000	(0.001)	(0.005)
Total assets	31,428,590	30,709,924	29,397,202	25,746,655
Total liabilities	21,701,000	21,000,545	20,155,587	16,895,801
Shareholders' equity	9,727,590	9,709,379	9,241,615	8,850,854

Total Assets / Liabilities

There were no transactions outside of normal operations. Client deposits fluctuate on claims experience with the result being our deposit levels increased. Cash balances decreased over last reporting quarter resulting from regular working capital expenditures.

The Company has entered into a consulting agreement in respect of the provision of strategic planning and consulting services to the CEO and executive management team, including planning regarding strategic partners, capital market advising, and support to determine near-term and longer-term revenue expansion. The Consulting Agreement contemplates four quarterly cash payments and four quarterly equity payments of common shares, each valued at $62,500. The second and third quarterly common shares have been issued and reflected in the Q1 financial statements ended March 31, 2024.

Results of Operations

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

Transaction fees consist primarily of fees per health benefit claim transaction adjudicated. Transaction fee revenue is recognized on the Company's completion of the adjudication process when it is probable that the economic benefits associated with the transaction will flow to the Company, the amount of revenue can be measured reliably, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the transaction costs incurred to complete the transaction can be measured reliably. These criteria are generally met on completion of the adjudication process. Most of the transaction fees are charged on all claims processed, regardless of the outcome of the adjudication process (i.e. whether the actual claim is approved or declined).

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

Commissions are earned from the sale of third party insured products to customers. Consulting revenues are derived from contracted technological changes from our client base which can significantly vary from year to year. Other income also includes revenues generated from other products not classified in other categories, such as specialty cards and client requests. This other income category is expected to re-occur; however, we note this revenue is client specific and highly variable.

More detailed results and analysis are as follows;

	Three months ended March 31, 2024	Three months ended March 31, 2023	Dollar change	% change
Revenues	$	$	$	
Transaction Fees	1,642,530	1,353,662	288,868	21.34%
Administration Fees	1,867,539	1,564,174	303,365	19.39%
Commission	21,269	22,040	(771)	-3.50%
Consulting	615,305	403,263	212,042	52.58%
Other Income	146,088	115,480	30,608	26.51%
	4,292,731	3,458,619	834,112	24.12%

	Three months ended March 31, 2024	Three months ended December 31, 2023	Dollar change	% change
Revenues	$	$	$	
Transaction Fees	1,642,530	1,306,715	335,815	25.70%
Administration Fees	1,867,539	1,616,592	250,947	15.52%
Commission	21,269	25,380	(4,111)	-16.20%
Consulting	615,305	457,089	158,216	34.61%
Other Income	146,088	167,975	(21,887)	-13.03%
	4,292,731	3,573,751	718,980	20.12%

For the three months ended March 31, 2024, revenue grew by $834,112 or 24.12% over the comparable three months ending March 31, 2023 and $718,980 or 20.12% over the last reporting period. The increase was mainly attributed to the increased recurring revenues and consulting services provided to clients.

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 $889,617 (2023 - $714,341) for the three months ended March 31, 2024 was $175,276 higher compared with the comparable period in the prior year, attributable to our growth resulting in increased transactional costs, and activities in consulting services.

	Three months ended March 31, 2024	Three months ended March 31, 2023	Dollar change
Expenses	$	$	$
Compensation and external contractors	2,110,984	1,807,407	303,577
General and administrative / other	854,037	764,800	89,237
Total	2,965,021	2,572,207	392,814

	Three months ended March 31, 2024	Three months ended December 31, 2023	Dollar change
Expenses	$	$	$
Compensation and external contractors	2,110,984	2,189,166	(78,182)
General and administrative / other	854,037	852,803	1,234
Total	2,965,021	3,041,969	(76,948)

Total expenses as per the table above for the three months ended March 31, 2024 increased by $392,814 or 15.27%, over the prior year comparable period. The increase was primarily due to I.T. implementation expenses and consulting services engaged to support the continued revenue growth. Compared to the last reporting period, total expenses decreased by $76,948 or 2.53%, resulting from lower consulting expenses.

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 .NET re-write of our claims adjudication platform began amortizing.

Transactions with Related Parties and Shareholders

Common shares dividends of $352,656 and series 1 preferred share dividends of $33,000 declared on December 20, 2023 were paid to all common and preferred shareholders on January 3, 2024. In March 2024, the Company declared $0.005 per share to all of its series 1 preferred shares, $33,000 is payable as at March 31, 2024.

In January 2024, unvested stock options of 250,000 were forfeited and associated stock option expense have been removed from the shareholders' equity.

Outstanding Share Data

During Q1 2024 the Company issued $290,625 common shares. There are 70,921,820 common shares issued and outstanding at March 31, 2024. The Company currently has an aggregate of 6,000,000 options under the employee stock option plan, 5,666,667 of which are exercisable.

Liquidity and Capital Resources

Management has a demonstrated track record over several years of raising capital when required. As evidenced above the following steps have been effected

- Continuous cost containment solutions
- Positive EBITDA
- Increased recurring revenues

The following table summarizes the maturity of the Company's contractual obligations at March 31, 2024:

	Less than 1 year	1-6 years	Total
Office Leases	42,592	337,849	380,441
Automobile Lease	18,258	48,955	67,213
Accounts payable and accrued liabilities	713,212		713,212
Dividends payable	33,000		33,000
Client funds	19,820,870		19,820,870
	20,627,932	386,804	21,014,736

Financial Instruments and Other Instruments

As at March 31, 2024, all monies are held in cash at a major financial institution.

Plan Sponsor Funds on Deposit Arrangements

The company had $19,820,870 in funds on deposit as at March 31, 2024 (December 31, 2023 - $20,418,893), 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. 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 decrease over the prior year comparable period is a result of timing of fund deposits and claims payouts.

Critical Accounting Estimates

Management is required 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 preferred shares, 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.

Changes in Accounting Policies

In October 2022, the IASB finalized issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements, providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The application of the amendment has been made on a prospective basis and did not have an impact on the Company.

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.

Intangible assets

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

Intangible assets acquired on acquisition include software license and customer relationships. Values associated with these intangibles are amortized on a straight-line basis in the statements of income and comprehensive income over the period of their expected useful life of ten years.
In determining the cost of internally developed intangible assets, the Company first assesses whether the expenditures will result in an identifiable asset with future economic benefits. The Company evaluates the intangible asset against the following six requirements:

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

Costs that are capitalized, include internally, specifically identified costs and third-party contract costs.
The major categories of intangible assets are depreciated on a straight-line basis as follows:

Mobile App 5 years
Web browser 5 years
Systems integration upgrades 5 years
Software licence 10 years
Customer relationships 10 years

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date which is regarded as their cost.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets include IP software licence and customer relationships. Both are amortized on a straight-line basis over their expected useful lives which is estimated at ten years. Valuation of software license and customer relationships requires management to assess expected income based on projections including customer attrition, growth rates and royalty rates.

Goodwill and intangible asset impairment

For impairment assessment purposes, assets are grouped based on cash generating units in the case of goodwill and based on revenue generation for intangible assets. Intangible assets are tested by estimating future cash flows associated with the intangible asset. The longevity or estimated life of the intangible asset is reviewed as to obsolescence and estimated remaining life. If the assessment indicates the carrying value or remaining estimated life is reduced or impaired a charge is made to the statements of income and comprehensive income. For cash generating units, a discounted cash flow model is followed to determine if the carrying value has been impaired. Testing is annual unless events demonstrate an impairment has occurred in which case an impairment provision would be made. Impairment losses, whether to intangibles or goodwill is calculated as the difference between the recoverable amount and the carrying amount.

Deferred income tax

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

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.

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.