



Syncordia Technologies and Healthcare Solutions, Corp.

First Quarter 2017 Condensed Interim Consolidated Financial Statements
(Unaudited)
(Expressed in US dollars)

These statements have not been reviewed by an independent firm of Chartered Professional Accountants

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Syncordia Technologies and Healthcare Solutions, Corp.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2016 and March 31, 2016

	June 30 2016	March 31 2016
Assets		
Current assets		
Cash and cash equivalents	3,663,376	4,436,844
Accounts receivable (notes 4 and 10)	2,250,441	2,226,715
Other assets	258,302	377,185
	6,172,119	7,040,744
Property and equipment	300,054	338,622
Intangible assets	21,887,572	22,694,613
Goodwill	10,781,769	10,781,769
	39,141,513	40,855,748
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,496,125	1,584,735
Holdback payable (note 13)	-	250,000
Current portion of notes payable (note 6)	4,444,129	2,222,065
	5,940,254	4,056,800
Notes payable (notes 6)	10,361,689	12,350,631
Deferred tax liabilities (note 8)	1,866,166	1,932,097
Other non-current liabilities	179,165	133,076
	12,407,020	18,472,604
Shareholders' Equity		
Share capital (note 5)	25,517,330	25,517,330
Contributed surplus	1,970,428	1,963,529
Deficit	(7,612,145)	(6,010,506)
Equity attributable to shareholders of Syncordia	19,875,613	21,470,353
Non-controlling interests	918,626	912,791
	20,794,239	22,383,144
	39,141,513	40,855,748
Organization and going concern (note 1)		
Commitments (note 11)		

Approved by the Board of Directors

_____(Signed) "Michael Franks"_____
Director _____(Signed) "James Eaton"_____
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Syncordia Technologies and Healthcare Solutions, Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three month periods ended June 30, 2016 and 2015

	June 30 2016	June 30 2015
Revenue (note 10)	4,109,582	3,392,795
Gain on settlement of contingent consideration	-	1,111,342
	4,109,582	4,504,137
Cost of sales (note 12)	1,681,220	1,012,732
Amortization of operating assets	844,910	664,331
	1,583,452	2,827,024
Operating expenses (notes 7 and 12)	2,578,938	1,785,923
Transaction costs (note 12)	916	1,722,050
Other amortization	85,157	65,300
Loss before financing expenses and tax	(1,081,560)	(746,199)
Interest expense (notes 6)	522,668	443,886
Net loss before tax	(1,604,228)	(1,190,085)
Income tax expense (recovery) (note 8)	(28,424)	-
Net loss and comprehensive loss for the period	(1,575,804)	(1,190,085)
Net loss and comprehensive loss attributable to:		
Shareholders of Syncordia	(1,601,639)	(1,190,085)
Non-controlling interests	25,835	-
Net loss per share		
Basic and diluted earnings per share	(0.08)	(0.08)
Weighted average number of shares outstanding		
Basic	19,643,635	15,556,014
Diluted	19,643,635	18,227,387

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Syncordia Technologies and Healthcare Solutions, Corp.

Consolidated Statements of Changes in Equity

For the three month periods ended June 30, 2016 and 2015

	Common shares	Amount	Contributed Surplus	Deficit	Non- controlling interest	Total
Balance - April 1, 2016	19,643,635	\$ 25,517,330	\$ 1,963,529	\$ (6,010,506)	\$ 912,791	\$ 22,383,144
Share-based compensation and awards (note 7)	-	-	6,899	-	-	6,899
Distributions to non-controlling interest	-	-	-	-	(20,000)	(20,000)
Net loss and comprehensive loss	-	-	-	(1,601,639)	25,835	(1,575,804)
Balance - June 30, 2016	19,643,635	\$ 25,517,330	\$ 1,970,428	\$ (7,612,145)	\$ 918,626	\$ 20,794,239

	Number of shares	Amount	Contributed surplus	Deficit	Total
Balance - April 1, 2015	14,247,135	\$ 14,387,095	\$ 1,626,593	\$ (2,894,500)	\$13,119,188
Issuance of Class B Series 2 preferred shares	1,702,500	3,405,000	-	-	3,405,000
Forfeiture of common shares	(90,000)	-	-	-	-
Issuance of private placement	3,334,000	8,052,460	-	-	8,052,460
Derivative financial liability from private placement warrants	-	(608,987)	-	-	(608,987)
Issuance of common shares on conversion of LL Capital shares	450,000	1,246,568	-	-	1,246,568
Share issuance costs	-	(963,888)	-	-	(963,888)
Warrants issued	-	-	261,643	-	261,643
Share-based compensation and awards	-	-	29,084	-	29,084
Net loss and comprehensive loss	-	-	-	(1,190,085)	(1,190,085)
Balance - June 30, 2015	19,643,635	\$ 25,518,248	\$ 1,917,320	\$ (4,084,585)	\$ 23,350,983

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Syncordia Technologies and Healthcare Solutions, Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the three month periods ended June 30, 2016 and 2015

	June 30 2016	June 30 2015
Cash provided by (used in)		
Operating activities		
Net loss for the period	(1,575,804)	(1,190,085)
Items not affecting cash		
Gain on settlement of contingent consideration	-	(1,111,342)
Reverse Takeover transaction costs	-	1,068,920
Income tax expense (recovery) (note 8)	(65,931)	729,631
Amortization	930,067	1,082,194
Non-cash interest on notes payable (note 6)	215,164	157,759
Share-based compensation and awards (note 7)	10,533	29,084
Changes in non-cash working capital items		
Accounts receivable	(23,726)	(141,390)
Other assets	118,883	(84,405)
Accounts payable and accrued liabilities	(92,583)	370,833
Other non-current liabilities	1,211	40,249
	<u>(482,184)</u>	<u>(130,746)</u>
Investing activities		
Purchase of property, equipment and intangible assets	(21,284)	(68,674)
Acquisition of Paragon (net of cash acquired)	-	3,479,929
Settlement of Paragon holdback	(250,000)	-
Settlement of contingent consideration	-	(1,208,658)
	<u>(271,284)</u>	<u>(4,757,261)</u>
Financing activities		
Issuance of Class B Series 2 preferred shares	-	3,405,000
Issuance of private placement	-	8,052,460
Cash consideration from issuance of Reverse Takeover shares	-	402,065
Share issuance costs	-	(830,640)
Proceeds from long-term notes	-	1,332,388
Deferred financing costs	-	(29,960)
Distributions to non-controlling interest	(20,000)	-
	<u>(20,000)</u>	<u>12,331,853</u>
Increase/(decrease) in cash and cash equivalents during the period	(773,468)	7,443,846
Cash and cash equivalents - Beginning of period	4,436,844	2,842,413
Cash and cash equivalents - End of period	3,663,376	10,286,259
Cash interest paid	307,331	286,127

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Syncordia Technologies and Healthcare Solutions, Corp. **Notes to Condensed Interim Consolidated Financial Statements** For the three month periods ended June 30, 2016 and 2015

1. ORGANIZATION AND GOING CONCERN

Syncordia Technologies and Healthcare Solutions, Corp. (“Syncordia” or the “Company”), formerly LL Capital Corp. (“LL Capital”), was formed through the amalgamation and reverse takeover of LL Capital, a capital pool company listed on the TSX Venture Exchange, by Syncordia Technologies and Healthcare Solutions, Inc. (“Syncordia Inc.”) on June 29, 2015. Syncordia Inc. was incorporated under the Canada Business Act on January 14, 2014. The Company since inception has been engaged in the process of identification, evaluation and negotiation of business acquisition opportunities in the healthcare revenue cycle management industry.

On June 29, 2015 the Company completed its qualifying transaction (the “Qualifying Transaction”) by way of a three-cornered amalgamation among LL Capital, a wholly owned subsidiary of LL Capital, and Syncordia Inc. LL Capital changed its name to Syncordia Technologies and Healthcare Solutions, Corp. and at this time completed a consolidation of its share capital on a basis of one post-consolidation common share for every 20 common shares existing immediately before the consolidation. The Qualifying Transaction resulted in a reverse takeover of LL Capital by the shareholders of Syncordia Inc. (the “Reverse Takeover”).

The Company’s principal business consists of revenue cycle management software solutions and transaction processing services to air and ground emergency medical services industries and the behavioural health industry. Effective October 31, 2014, the Company acquired 100% of the shares of Health Services Integration, Inc. (“HSI”), through Syncordia HSI Acquisition, LLC, an entity wholly owned by Syncordia Technologies and Healthcare Solutions US Inc. Effective April 24, 2015, the Company acquired 100% of the shares of Paragon Billing LLC (“Paragon”) through Syncordia Paragon Acquisition, LLC, an entity wholly owned by Syncordia Technologies and Healthcare Solutions US Inc. Effective March 22, 2016, the Company acquired 80% of the shares of Billing Solutions LLC (“Billing Solutions”) through Syncordia Billing Solutions Acquisition, LLC, an entity wholly owned by Syncordia Technologies and Healthcare Solutions US Inc.

The consolidated financial statements also reflect the consolidated financial position of Syncordia Technologies and Healthcare Solutions US Inc., and Syncordia Technologies and Healthcare Solutions Ireland Limited, both wholly owned subsidiaries of Syncordia.

Syncordia has a fiscal year-end of March 31. The head office of Syncordia is located at 95 King Street East, Suite 303, Toronto, Ontario.

Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company manages its capital structure based on the funds available to it in order to support the continuation and expansion of its operations. In addition to cash flow generated by operating activities, the Company relies on debt and equity financing to execute its stated business strategy. In order to maintain or adjust its capital structure, the Company anticipates seeking additional financing through the issuance of securities such as equity, convertible debt, or by replacing existing debt with debt on terms more consistent with the Company’s needs.

As at June 30, 2016, the Company had cash and cash equivalents of \$3,663,376, a \$773,468 decrease from March 31, 2016 reflecting \$482,184 used in operating activities including \$307,331 of cash paid interest on the Company’s senior notes, \$271,284 used in investing activities, primarily reflecting the final \$250,000 hold back payment to the sellers of Paragon, and \$20,000 used in financing activities.

In addition to funding its ongoing operating requirements, capital expenditures and future acquisitions, the Company is required to make two principal repayments on the senior notes of \$2,222,064 each on November 5, 2016 and May 5, 2017. The senior notes are due on November 5, 2017 and the Billing Solutions note payable of \$2,000,000 plus accrued interest is due in the first quarter of fiscal 2019 assuming the full acquisition earn out targets are achieved.

The Company’s operating plan anticipates that it will generate positive cash flow from operations for the twelve months ending March 31, 2017 and those cash flows along with existing cash balances should be sufficient to fund operating activities, capital expenditures, transaction costs and senior note principal payments prior to the November

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2017 maturity of the senior notes. With new customer additions, operational improvements and the Billing Solutions acquisition, the Company expects to improve operating cash flows in 2017. However, the quantum and timing of cash flow from operations will be significantly influenced by the operating performance of the Company's RCM businesses, particularly in the short term as a result of: (i) securing new business to replace revenue from a significant customer which terminated service in 2016 at HSI and Billing Solutions achieving its acquisition earning targets; (ii) introducing several technology enhancements to improve operating efficiency; and (iii) continuing to implement several cost containment initiatives, particularly reducing costs per encounter within the RCM business. Accordingly, the Company continues to assess its rate of investment in Corporate and Syncordia Cloud initiatives and is evaluating several cost containment initiatives. Additionally, the Company is also evaluating the licensing or sale of certain of its intellectual property in order to raise capital. There can be no assurance that the Company will be successful in achieving these results as set out in its operating plan for each of the quarters in 2017.

There are significant risks associated with each of these plans and strategies and there can be no assurance that the steps management is taking will be successful, if not successful in many of them, cash flows will be reduced and the Company may not have sufficient cash flow or resources to make debt principal payments on its senior notes or in the worst case cover operating costs. Missing a debt payment will result in an event of default on the senior notes which the Company may not be able to rectify with renegotiated terms or alternative financing.

These circumstances may cast significant doubt as to the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements (the "Financial Statements") for the three months ended June 30, 2016 were approved by Syncordia's Board of Directors on August 25, 2016. The Financial Statements, which have been prepared by management, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

The Financial Statements have been prepared in accordance with the accounting policies as set out in the Company's consolidated financial statements for the year ended March 31, 2016, prepared in accordance with IFRS. The presentation of these Financial Statements is consistent with those annual financial statements. The Company's consolidated financial statements for the year ended March 31, 2016 are available on www.sedar.com under the company "Syncordia Technologies and Healthcare Solutions, Corp."

The preparation of interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving higher degrees of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the consolidated financial statements for the year ended March 31, 2016.

The Financial Statements are prepared on a going concern basis and have been presented in United States dollars, the Company's functional currency. The Company has organized its operations based on the services it offers, which is consistent with how the chief operating decision maker evaluates results of the business. The Company reports its result in three business segments, namely, Revenue Cycle Management ("RCM"), Syncordia Cloud and Corporate. The Syncordia Cloud supports the Company's intellectual property assets and conducts research and development activities. The corporate and administration support is reported as Corporate costs.

The Financial Statements are prepared on a consolidated basis and include Syncordia and its wholly owned and controlled subsidiaries, Syncordia Inc., Syncordia Technologies and Healthcare Solutions Ireland Limited, Syncordia Technologies and Healthcare Solutions US Inc., Syncordia HSI Acquisition LLC, Health Service

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Integration Inc., Syncordia Paragon Acquisition LLC, Paragon Billing LLC, Syncordia Billing Solutions Acquisition, LLC, and Billing Solutions, LLC. All intercompany balances and transactions have been eliminated. On April 1, 2016, Syncordia and Syncordia Inc. amalgamated.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these Financial Statements. Those which may be relevant to the Company are set out below.

IFRS 9, *Financial instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2016. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has not assessed the full impact of IFRS 9 and is in the process of considering its implications and the Company’s planned date of adoption.

IFRS 15, *Revenue from contracts with customers*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, *Revenue*, and IAS 11, *Construction contracts*, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company has not assessed the full impact of IFRS 15 and is in the process of considering its implications and the Company’s planned date of adoption.

IFRS 16, *Leases*, introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases for leases with terms more than twelve months, unless the underlying asset is of low value. Lessor accounting for leases as finance or operating leases will remain substantially unchanged. The IASB issued the standard in 2016, replacing IAS 17 *Leases* and related interpretations. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, and the structure and disclosure of accounting policies. The amendments are effective from January 1, 2016.

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4. ACCOUNTS RECEIVABLE

The Company assesses the collectability of trade and other receivables on an ongoing basis. A provision for the impairment of receivables involves management review of accounts receivable balances considering individual customer creditworthiness, current economic trends and analysis of historical bad debts. The movement in the provision for impairment against trade and other receivables was as follows:

	Amount
Provision, April 1, 2016	\$ 185,289
Increases to the allowance	-
Provision, June 30, 2016	\$ 185,289

5. SHARE CAPITAL

	Number	Amount
Common shares		
Balance, April 1, 2016	19,643,635	\$ 27,876,486
Issuance of shares	-	-
	19,643,635	27,876,486
Share issuance expenses	-	(2,359,156)
Balance, June 30, 2016	19,643,635	\$ 25,517,330

Weighted average number of shares outstanding:

Basic	19,643,635
Diluted	19,643,635

As at June 30, 2016, issued and outstanding warrants are summarized as described below.

Origination of warrant	Expiry	Number of warrants	Strike price	Currency
Class B, Series 1 Preferred Shares	November 2016	273,561	\$1.60	USD
Class B, Series 2 Preferred Shares	April 2017	44,900	\$2.00	USD
Class B, Series 2 Preferred Shares	May 2017	7,200	\$2.00	USD
Private Placement Shares Broker warrants**	June 2017	200,040	\$3.00	CAD
Private Placement Shares**	June 2017	1,667,000	\$3.30	CAD
Debt issuance cost**	November 2019	1,666,548	\$2.00	USD
		3,859,249		

**The above noted warrants have features which may impact the term of the warrants at the option of the Company, as described above and in Note 14 of the 2016 Consolidated Financial Statements.

Syncordia Technologies and Healthcare Solutions, Corp.
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For the three month periods ended June 30, 2016 and 2015

6. NOTES PAYABLE

Senior notes payable principal at March 31, 2016	13,332,388
Paid-in-kind interest capitalized as at March 31, 2016	296,357
Deferred financing costs and discounts at March 31, 2016	<u>(1,056,049)</u>
Senior notes payable as at March 31, 2016	12,572,696
Paid-in-kind interest capitalized in the three months ended June 30, 2016	67,956
Accretion and amortization of deferred financing costs and discounts	<u>165,166</u>
Senior notes payable as at June 30, 2016	12,805,818
Subordinated promissory note from Billing Solutions acquisition	2,000,000
Notes payable as at June 30, 2016	<u>14,805,818</u>
Current portion	4,444,129
Long-term portion:	
Senior notes payable	8,361,689
Subordinated promissory note from Billing Solutions acquisition	<u>2,000,000</u>
Notes payable as at June 30, 2016	<u>14,572,696</u>

The Billing Solutions acquisition was funded in part through a \$2,000,000 promissory note payable held by the former owner. The note has a two-year term, bears interest at 9% per annum, and is subordinated to the Company's senior notes payable. Interest is payable on maturity of the notes payable.

The promissory note is subject to claw back provisions if a minimum earnings threshold is not reached during each of the first two years under control of the Company. The amount of \$2,000,000 represents the estimated fair value of the promissory note payable to the seller. This amount was determined based on management's estimate of Billing Solutions achieving certain performance targets in accordance with the membership interest purchase agreement. The subordinated promissory note has a fair value of \$2,000,000 as at June 30, 2016 and is included within notes payable.

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7. SHARE-BASED COMPENSATION

The Company adopted a share option plan on for certain employees, officers, directors and non-employees.

During the three months ended June 30, 2016, the Company granted no stock options. Options granted under the plan vest one third after the first anniversary of the grant date and the remaining two thirds vest quarterly over the following two years. Upon vesting, each option entitles the holder to purchase one common share at the option strike price at any time on or before the expiry date of the option. The Company has no legal or contractual obligation to repurchase or settle the options in cash. Charitable options issued by the Company are fully vested upon issuance.

The Company's outstanding and exercisable options as at June 30 are as follows:

Common share options	2016	Weighted average exercise price	2015	Weighted average exercise price
	Options		Options	
Balance - April 1	1,026,081	1.27	473,850	1.49
Options granted	-	-	39,000	2.10
Reverse Takeover options	-	-	64,501	1.58
Options exercised	-	-	-	-
Options expired	-	-	-	-
Options cancelled/forfeited	-	-	(2,825)	1.60
Balance – June 30	1,026,081	1.27	574,526	1.55

The weighted average remaining contractual life and exercise price of options outstanding as at June 30, 2016 are as follows:

Exercise price	Number Outstanding	Weighted average contractual life (years)	Number Exercisable
1.00 - 1.49	670,580	4.5	26,588
1.50 - 1.99	321,501	3.5	171,584
2.00 - 2.49	34,000	3.8	19,417
	1,026,081	4.5	217,589

An expense of \$10,533 and \$29,084 for share options and cash-settled restricted stock units granted to certain officers, employees, and charities is recognized in operating expenses in the consolidated statement of loss and comprehensive loss for the three months ended June 30, 2016 and June 30, 2015, respectively.

8. INCOME TAXES

For the three months ended June 30, 2016, the recovery of income taxes consists of the following:

	Three months ended June 30, 2016
Current	\$ 37,507
Deferred	(65,931)
Income tax expense (recovery)	(28,424)

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9. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments consist of accounts receivable, other assets and accounts payable and accrued liabilities, the fair value of which approximates carrying value due to the short-term nature of these instruments. Notes payable are initially recorded at fair value and subsequently at amortized cost. As the notes are repayable at any time at the option of the Company without penalty, the carrying value of the principal approximates the fair value. The fair value of contingent consideration is determined at each reporting period.

Liquidity risk

Liquidity risk is the risk the Company will not have the financial resources required to meet its financial obligations as they come due. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at June 30, 2016, the Company had cash and cash equivalents of \$3,663,376.

Interest rate risk

Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash balances, other assets, accounts payable, accrued liabilities, contingent consideration and notes payable have fixed interest rates and are not directly impacted by variable interest rates.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances and accounts receivable. The Company mitigates credit risk by depositing cash with a Canadian schedule I chartered bank in Canada and large financial institutions outside of Canada and monitors their credit ratings.

10. ECONOMIC DEPENDENCE

The Company earns a significant portion of its revenue from two customer groups. Revenue recognized from these customer groups for the three months ended June 30, 2016 and 2015 and the associated accounts receivable outstanding are as follows:

	Three months ended June 30, 2016		Three months ended June 30, 2015	
Revenue	\$ 1,140,225	27.7%	\$ 2,509,641	74.0%
	As at June 30, 2016		As at March 31, 2016	
Accounts receivable	\$ 744,159	33.1%	\$ 641,633	28.8%

On September 1, 2015, the Company received notice of termination from one of these customer groups. Pursuant to the notice, HSI continued to process new claims until November 30, 2015, after which HSI will only process the billing and collection of the then-existing claims until May 31, 2016. During the quarter, the Company received a contract extension to process claims existing as at November 30, 2015 until May 31, 2017.

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11. COMMITMENTS

As at June 30, 2016, the Company had various operating leases, primarily for office rent and equipment, with remaining terms of more than one year. These leases have minimum annual aggregate commitments as follows:

2016	290,840
2017	514,064
2018	487,280
2019	496,187
2020	507,176
2021 and thereafter	312,819
Total	2,839,194

The Company has obligations and commitments relating to its notes payable as described in note 6.

12. NATURE OF EXPENSES

The nature of expenses included in cost of sales, operating expenses and transaction costs are as follows:

	Three months ended June 30, 2016
Salaries and benefits	3,041,252
Transaction costs	916
Professional fees	95,758
Rent and facilities	171,275
Information technology	137,539
Travel costs	123,530
Marketing costs	294,594
Other	396,489
Total	4,261,074

13. RELATED PARTY TRANSACTIONS

For the year period ended March 31, 2016, the Company paid compensation to key management personnel which are recognized as an expense during the reporting period.

	Three months ended June 30, 2016
Salaries and benefits	248,750
Share based compensation	85

Of the \$12,000,000 notes payable and related warrants issued on November 5, 2014, \$1,000,000 are held by a company controlled by a member of the Board of Directors of Syncordia. Of the 1,500,000 warrants issued with the notes payable, 125,000 were issued to related parties.

Of the \$500,000 notes payable and related warrants issued on April 24, 2015 in connection with the Paragon acquisition, \$250,000 of the notes payable and 31,250 warrants are held by a company controlled by a member of the Board of Directors of Syncordia.

The \$250,000 hold back payment paid on April 24, 2016 in respect of the Paragon acquisition was made to the Chief Executive Officer and Chief Strategy Officer of the Company, who were formerly the controlling shareholders of Paragon.

Syncordia Technologies and Healthcare Solutions, Corp.
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14. SEGMENT INFORMATION

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on information provided by the Company's internal management system. The Company has determined that it has three business segments: RCM, Syncordia Cloud and Corporate.

As at June 30, 2016 the RCM business segment is comprised of HSI, located in Santa Rosa, California, Paragon, located in Edina, Minnesota and Billing Solutions, located in Prescott, Arizona.

The Syncordia Cloud business segment is located in Mullingar, Ireland and acts as a centre supporting the Company's intellectual property and where research and development activities are conducted. The business objectives of the Syncordia Cloud include supporting the deployment and operation of acquired intellectual property, and to enhance and further develop the Cloud technology platform.

The Corporate business segment is comprised of executive management offices based in Toronto, Ontario and Wilmington, North Carolina and oversees corporate development, investor relations and corporate finance activities. Below are the results by segment for the three months ended June 30, 2016.

Three months ended and as at June 30, 2016

	RCM	Syncordia Cloud	Corporate	Eliminations	Total
Revenue	4,109,582	715,603	-	(715,603)	4,109,582
Amortization	257,918	604,472	67,677	-	930,067
Interest expense	172	211,918	522,668	(211,918)	522,840
Income (loss) before interest, transaction costs and fair value adjustments	(97,620)	(603,148)	(873,948)	-	(1,575,803)
Goodwill	10,781,769	-	-	-	10,781,769
Non-current assets	19,815,736	13,123,029	55,172,426	(56,111,217)	31,999,973
Total assets	23,615,687	15,121,694	56,515,350	(56,111,217)	39,141,513
Total liabilities	3,309,715	10,158,612	14,878,947	(10,000,000)	18,347,274

Three months ended and as at June 30, 2015

	RCM	Syncordia Cloud	Corporate	Eliminations	Total
Revenue	3,392,795	934,019	-	(934,019)	3,392,795
Amortization	91,626	571,884	66,121	-	729,631
Interest expense	-	211,918	443,886	(211,918)	443,886
Income (loss) before interest and transaction costs and fair value adjustments	545,440	55,877	(736,808)	-	(135,491)
Goodwill	6,559,493	-	-	-	6,559,493
Non-current assets	9,903,021	15,533,185	37,381,865	(37,354,132)	25,463,939
Total assets	12,732,036	16,442,899	46,366,149	(37,354,132)	38,186,952
Total liabilities	710,305	10,055,971	14,069,693	(10,000,000)	14,835,969

Revenue from external customers is assigned to geographic areas based on the location of the customers. For the three months ended June 30, 2016 and 2015, all revenue earned was from customers located in the United States.

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15. DERIVATIVE FINANCIAL LIABILITY

The Company completed a private placement on June 29, 2015 to issue 3,334,000 subscription receipts consisting of one common share and one-half warrant. Each full warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of Canadian \$3.30 per common share up to the date that is the two-year anniversary of closing, subject to certain acceleration provisions. The fair value of the warrants on the date of issuance was \$608,987. These warrants are classified as a derivative financial liability.

The change in fair value of the warrants issued as part of the subscription receipts in the private placement is recorded as a gain or loss on derivative financial liability in the consolidated statement of loss and comprehensive loss.

The warrants included in the private placement are denominated in Canadian dollars which is different from the US dollar functional currency of the Company. The conversion feature is treated as a derivative financial liability and the fair value changes in each prospective period will be recognized in the consolidated statement of loss and comprehensive loss.

Fair value changes incorporate movement in the fair value of inputs and as the warrants are exercised or expire, these changes will be reflected in the consolidated statement of financial position and consolidated statement of loss and comprehensive loss.

For the three months ended June 30, 2016, there has been no change in value of the warrants and thus no gain or loss on derivative financial liability in the Consolidated Statements of Loss and Comprehensive Loss. The warrants are denominated in Canadian dollars which is different than the functional currency of the Company (US dollars). Under IFRS, the conversion feature is treated as a derivative financial liability and the fair value movement during the period is recognized in the Statement of Loss and Comprehensive Loss.

Fair value changes incorporate movement in the fair value of inputs and as the warrants are exercised or expire, these changes will be reflected in the consolidated statement of financial position and consolidated statement of loss and comprehensive loss. The fair value of the warrants was determined using a binomial model with inputs as described below.

Value of warrants classified as derivative financial liability	Grant date	As at June 30, 2016
Exercise price (Canadian dollars)	\$3.30	\$3.30
Share price (Canadian dollars)	\$3.00	\$0.43
Risk-free interest rate	0.56%	0.52%
Expected volatility	36%	36%
Term	2 years	1 years
Expected life	1 year	1 year
Expected dividend yield	Nil	Nil
Value (US dollars)	\$608,987	\$0