Syncordia Technologies and Healthcare Solutions, Corp.

Third 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

TABLE OF CONTENTS

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

	December 31 2016	March 31 2016
Assets		
Current assets		
Cash and cash equivalents	1,121,203	4,436,844
Accounts receivable (notes 4 and 10)	2,152,578	2,226,715
Other assets	303,529	377,185
	3,577,310	7,040,744
Property and equipment	429,196	338,622
Intangible assets	20,397,586	22,694,613
Goodwill	10,758,996	10,781,769
	35,163,088	40,855,748
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,755,070	1,584,735
Holdback payable (note 13)	-	250,000
Current portion of notes payable (note 6)	11,675,806	2,222,065
	13,430,876	4,056,800
Notes payable (notes 6)	2,000,000	12,350,631
Deferred tax liabilities (note 8)	1,746,103	1,932,097
Other non-current liabilities	272,329	133,076
	17,449,308	18,472,604
Shareholders' Equity		
Share capital (note 5)	25,529,338	25,517,330
Contributed surplus	1,996,384	1,963,529
Deficit	(10,773,339)	(6,010,506)
Equity attributable to shareholders of Syncordia	16,752,383	21,470,353
Non-controlling interests	961,397	912,791
	17,713,780	22,383,144
	35,163,088	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 and nine months ended December 31, 2016 and 2015

	Three months ended December 31		Nine months ended December 31	
	2016	**2015**	**2016**	**2015**
Revenue (note 10)	3,400,716	3,678,236	11,134,903	10,969,933
Gain on settlement of contingent consideration	-	-	-	1,111,342
	3,400,716	3,678,236	11,134,903	12,081,275
Cost of sales (note 12)	1,390,854	996,161	4,591,061	3,088,326
Amortization of operating assets	841,416	708,368	2,542,057	2,077,351
	1,168,446	1,973,707	4,001,785	6,915,598
Operating expenses (note 12)	1,895,662	2,016,429	6,765,295	6,072,616
Transaction costs (note 12)	18,824	16,742	19,740	1,786,170
Other amortization	147,417	65,332	315,552	197,618
Loss before financing and tax expenses	(893,457)	(124,796)	(3,098,802)	(1,140,806)
Change in fair value of derivative financial liability (note 15)	-	(1,026)	-	(608,987)
Interest expense	509,747	477,594	1,562,546	1,397,237
Net loss before tax	(1,403,204)	(601,364)	(4,661,348)	(1,929,056)
Income tax expense (recovery) (note 8)	(58,673)	-	(147,121)	-
Net loss and comprehensive loss for the period	(1,344,531)	(601,364)	(4,514,227)	(1,929,056)
Net loss and comprehensive loss attributable to:				
Shareholders of Syncordia	(1,455,609)	(601,364)	(4,762,833)	(1,929,056)
Non-controlling interests	111,078	-	248,606	-
Net loss per share				
Basic and diluted earnings per share	(0.07)	(0.03)	(0.23)	(0.11)
Weighted average number of shares outstanding				
Basic	19,681,135	19,643,635	19,658,499	18,291,004
Diluted	19,681,135	19,673,670	16,658,499	18,321,039

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 nine month periods ended December 31, 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)	–	-	44,863	-	-	44,863
Exercise of RSUs (notes 5, 7)	37,500	12,008	(12,008)			-
Distributions to non-controlling interest	–	-	-	-	(200,000)	(200,000)
Net loss and comprehensive loss	–	-	-	(4,762,833)	248,606	(4,514,227)
Balance – December 31, 2016	19,681,135	$ 25,529,338	$ 1,996,384	$ (10,773,339)	$ 961,397	$ 17,713,780

	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	-	(964,806)	-	-	(964,806)
Warrants issued	-	-	261,643	-	261,643
Share-based compensation and awards	-	-	64,722	-	64,722
Net loss and comprehensive loss	-	-	-	(1,929,056)	(1,929,056)
Balance – December 31, 2015	19,643,635	$ 25,517,330	$ 1,952,958	$ (4,823,556)	$ 22,646,732

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 and nine month periods ended December 31, 2016 and 2015

	Three months ended December 31		Nine months ended December 31	
	2016	**2015**	**2016**	**2015**
Cash provided by (used in)				
Operating activities				
Net loss for the period	(1,344,531)	(601,364)	(4,514,227)	(1,929,056)
Items not affecting cash				
Gain on settlement of contingent consideration	-	-	-	(1,111,342)
Reverse Takeover transaction costs	-	-	-	1,068,920
Deferred income tax expense (recovery) (note 8)	(60,040)	-	(185,994)	-
(Gain)/loss on derivative liability (note 15)	-	(1,026)	-	(608,987)
Amortization	988,832	773,700	2,857,609	2,274,969
Non-cash interest on notes payable (note 6)	214,168	171,473	647,386	500,361
Share-based compensation and awards (note 7)	10,181	25,231	30,317	75,239
Changes in non-cash working capital items				
Accounts receivable	189,884	246,123	74,138	329,687
Other assets	(67,115)	(108,198)	73,655	(180,260)
Accounts payable and accrued liabilities	32,795	(274,184)	(112,490)	(338,205)
Other non-current liabilities	1,211	43,590	3,453	127,429
	(34,615)	275,345	(1,126,153)	208,755
Investing activities				
Purchase of property, equipment and intangible assets	(66,622)	(34,966)	(170,689)	(158,496)
Capitalized software development costs	(245,000)	-	(245,000)	-
Working capital settlement for acquisition of Billing Solutions	-	-	22,773	-
Acquisition of Paragon (net of cash acquired)	-	-	-	(3,479,929
Settlement of Paragon holdback	-	-	(250,000)	(250,000)
Settlement of contingent consideration	-	-	-	(1,208,658)
	(311,622)	(34,966)	(642,916)	(5,097,083)
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	-	-	-	402,605
Share issuance costs	-	-	-	(831,560)
Proceeds from long-term notes	-	-	-	1,332,388
Repayment of notes payable	(1,346,572)	-	(1,346,572)	-
Deferred financing costs	-	-	-	(29,960)
Distributions to non-controlling interest	(160,000)	-	(200,000)	-
	(1,506,572)	-	(1,546,572)	12,330,933
Increase/(decrease) in cash and cash equivalents during the period	(1,852,809)	240,379	(3,315,641)	7,442,605
Cash and cash equivalents - Beginning of period	2,974,012	10,044,639	4,436,844	2,842,413
Cash and cash equivalents - End of period	1,121,203	10,285,018	1,121,203	10,285,018
Cash interest paid	295,580	307,616	915,170	899,816

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 and nine month periods ended December 31, 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 100 Broadview Avenue, Suite 300, 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 December 31, 2016, the Company had cash and cash equivalents of $1,121,203, a $3,315,641 decrease from March 31, 2016 reflecting $1,126,153 used in operating activities including $915,170 of cash paid interest on the Company's senior notes, $642,916 used in investing activities, primarily reflecting the final $250,000 hold back payment to the sellers of Paragon, $245,000 payment for internally generated intangible assets, and $1,546,572 used in financing activities.

In addition to funding its ongoing operating requirements and capital expenditures, the Company was required to make principal repayments on the senior notes of $2,222,065 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.

Effective November 4, 2016, the Company obtained a waiver from the senior lending consortium to modify the timing of principal repayments. The Company paid $1,346,572 instead of $2,222,065 toward the November 5, 2016

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

principal payment. The shortfall of $875,493 is required to be paid along with the May 5, 2017 principal repayment of $2,222,065 as originally scheduled. The Company incurred a fee of 2.5% of the remaining original principal, or $299,645, which is payable at the end of the term or upon settlement of the senior notes.

Due to negative operating cash flows for the first nine months of the fiscal year, the Company's operating plan anticipates that it will not generate positive cash flow from operations for the twelve months ending March 31, 2017. Existing cash resources will continue to be utilized in the last quarter of 2017 to fund operating activities, capital expenditures, transaction costs and senior note principal payments prior to the November 2017 maturity of the senior notes. Until the operational improvements, as described below, are in place, it is unlikely that the Company will generate sufficient cash flow from operations or have sufficient cash resources to fund the revised May 2017 principal repayment. In such a circumstance, further revisions to the senior notes repayment terms will be required.

In these circumstances, the Company has undertaken a strategic review, and determined that some combination of each of the following initiatives is required to adequately deal with the funding and senior note obligation: (i) sale of one or more operating companies (ii) strategic alliances or combinations with HSI to improve overall results (iii) licensing or sale of certain intellectual property (iv) other cash-generating strategic initiatives. The Company has received interest from potential buyers for its RCM operating companies, and the Company is working with the potential buyers to finalize terms and reach an agreement and closing prior to the May 2017 principal repayment. In the event that the Company is not able to complete a transaction prior to the May 2017 principal payment, the Company will seek to obtain a waiver or revise the lending agreement to facilitate the completion of the outstanding payments to the expected time table associated with the planned divestitures. There can be no assurance that the lenders will agree to such provisions and that the timing of the disposal will be consistent with the obligations to the lenders and their expectations.

To improve operating cash flows of the Company, the following initiatives are in place at HSI: (i) continuing to secure new business to replace a significant customer which terminated in 2016 (there is a ten to twelve month delay before new customers generate significant revenues) (ii) reducing costs per encounter through introduction of technological enhancements and optimization of staffing complement (iii) restructuring of HSI's dispatch services (iv) reducing general and administrative staff headcounts.

In addition, the Company continues to assess its rate of investment in Corporate and Platform Syncordia initiatives and is evaluating several cost containment initiatives such as, reduced corporate headcounts, salaries and reducing discretionary software development. These cost containment initiatives have begun and will be accelerated depending on the results of other operation changes to improve cash flow. Assuming we complete a divestiture, we will consider further changes to our Corporate and Platform Syncordia staff and overhead costs.

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) HSI securing new business 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.

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 cover operating costs. Missing a debt payment will result in an event of default on the senior notes and the Billing Solutions' seller note 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.

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements (the "Financial Statements") for the three and nine months ended December 31, 2016 were approved by Syncordia's Board of Directors on February 23, 2017. 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"), Platform Syncordia (formerly known as Syncordia Cloud) and Corporate. Platform Syncordia 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 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,

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

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.

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	16,919
Decreases to the allowance, due to recoveries	(15,000)
Write-offs	(16,919)
Provision, December 31, 2016	**$ 170,289**

The Company was compensated from the seller of Billing Solutions for these written-off accounts receivable as part of the working capital settlement totalling $22,773, received during the nine months ended December 31, 2016. The working capital settlement was accounted for as a purchase price allocation adjustment, and is reflected as a reduction in goodwill.

5. SHARE CAPITAL

Common shares	**Number**	**Amount**
Balance, April 1, 2016	19,643,635	$ 27,876,486
Issuance of shares	37,500	12,008
	19,681,135	27,888,494
Share issuance expenses	-	(2,359,156)
Balance, December 31, 2016	**19,681,135**	**$ 25,529,338**

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

Weighted average number of shares outstanding:

Basic	19,658,499
Diluted	19,658,499

As at December 31, 2016, issued and outstanding warrants are summarized as described below.

Origination of warrant	Expiry	Number of warrants	Strike price	Currency
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
		3,585,688		

**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.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 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	(1,056,049)
Senior notes payable as at March 31, 2016	12,572,696
Paid-in-kind interest capitalized in the nine months ended December 31, 2016	205,644
Principal repayment	(1,346,572)
Additions to deferred financing costs - waiver fee	(299,645)
Accretion and amortization of deferred financing costs and discounts	543,683
Senior notes payable as at December 31, 2016	**11,675,806**
Subordinated promissory note from Billing Solutions acquisition	2,000,000
Notes payable as at December 31, 2016	**13,675,806**
Current portion	11,675,806
Long-term portion:	
Senior notes payable	-
Subordinated promissory note from Billing Solutions acquisition	2,000,000
Notes payable as at December 31, 2016	**13,675,806**

On November 4, 2016, the Company obtained a waiver from the senior lender to modify the timing of principal repayments. The November 2016 principal payment was reduced from $2,222,065 to $1,346,572. The difference of $875,493 will be paid along with the May 2017 principal repayment as originally scheduled. The Company incurred a fee of 2.5% on the then remaining original principal, or approximately $299,645 which is payable at the end of the term in November 2017 or upon settlement of the debt and is accounted for as a deferred financing cost.

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 carrying value 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 an expected obligation of $2,000,000 as at December 31, 2016 and is included within notes payable.

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

7. SHARE-BASED COMPENSATION

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

During the three month and nine months ended December 31, 2016, the Company granted 1,025,032 and 1,040,032 stock options to certain employees, respectively. 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 December 31 are as follows:

	2016		2015	
Common share options	**Options**	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
Balance - April 1	1,026,081	1.27	473,850	1.49
Options granted	1,040,032	1.12	39,000	2.10
Reverse Takeover options	-	-	64,501	1.58
Options exercised	-	-	-	-
Options expired	-	-	-	-
Options cancelled/forfeited	(123,000)	-	(80,580)	1.60
Balance – December 31	1,943,113	1.20	496,771	1.52

The weighted average remaining contractual life and exercise price of options outstanding as at December 31, 2016 are as follows:

Exercise price	**Number Outstanding**	**Weighted average contractual life (years)**	**Number Exercisable**
1.00 - 1.49	1,587,612	4.6	34,185
1.50 - 1.99	321,501	3.1	214,418
2.00 - 2.49	34,000	3.3	23,583
	1,943,113	4.3	244,888

The fair value of the 15,000 options granted on August 22, 2016 at Canadian $1.50 (US$1.08) during the period determined using the Black-Scholes valuation model was estimated to be $0.19 per share. The significant inputs into the model were: exercise price of Canadian $1.50, volatility of 100%, an expected dividend yield of nil%, an expected option life of five years and a risk free rate of 0.62% based on the date of the grant. The contractual life of the options is five years.

On August 26, 2016, shareholders of the Company approved a previously issued restricted stock unit (RSU) plan. In September 2016, the sole participant in the plan left the Company, and exercised all vested RSU units, amounting to 32,500 common shares. All remaining RSUs were forfeited and cancelled. The participant in the plan, the former Chief Financial Officer, was granted 90,000 RSUs in May 2015 vesting one third after the first anniversary of the grant date and the remaining two thirds vesting quarterly over the following two years. Prior to obtaining shareholder approval for a share-based RSU plan, the arrangement was accounted for as a cash-settled plan.

The fair value of the 1,025,032 options granted on November 30, 2016 at Canadian $1.50 (US$1.12) during the period determined using the Black-Scholes valuation model was estimated to be $0.13 per share. The significant inputs into the model were: exercise price of Canadian $1.50, volatility of 100%, an expected dividend yield of nil%, an expected option life of five years and a risk free rate of 0.62% based on the date of the grant. The contractual life of the options is five years.

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

An expense of $30,317 and $75,239 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 nine months ended December 31, 2016 and December 31, 2015, respectively.

8. INCOME TAXES

For the three and nine months ended December 31, 2016, the recovery of income taxes consists of the following:

	Three months ended December 31, 2016	Nine months ended December 31, 2016
Current	$ 1,367	$ 38,874
Deferred	(60,040)	(185,995)
Income tax expense (recovery)	**(58,673)**	**(147,121)**

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 December 31, 2016, the Company had cash and cash equivalents of $1,121,203.

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.

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

10. ECONOMIC DEPENDENCE

The Company earns a significant portion of its revenue from two customer groups. Revenue recognized from these customer groups for the nine months ended December 31, 2016 and 2015 and the associated accounts receivable outstanding are as follows:

	Nine months ended December 31, 2016		**Nine months ended December 31, 2015**	
Revenue	$ 2,655,805	23.85%	$ 7,671,784	69.9%
	As at December 31, 2016		**As at March 31, 2016**	
Accounts receivable	$ 406,802	18.90%	$ 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 year, the Company received a contract extension to process claims existing as at November 30, 2015 until May 31, 2017.

11. COMMITMENTS

As at December 31, 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:

2017	523,978
2018	506,403
2019	496,187
2020	507,176
2021 and thereafter	312,819
Total	2,346,563

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 December 31, 2016
Salaries and benefits	2,434,052
Transaction costs	18,824
Professional fees	69,970
Rent and facilities	157,852
Information technology	169,487
Travel costs	43,241
Marketing costs	69,781
Other	342,133
Total	3,305,340

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

	Nine months ended December 31, 2016
Salaries and benefits	8,280,537
Transaction costs	19,740
Professional fees	241,207
Rent and facilities	500,356
Information technology	494,671
Travel costs	252,053
Marketing costs	427,716
Other	1,159,817
Total	11,376,096

13. RELATED PARTY TRANSACTIONS

For the three and nine-month period ended December 31, 2016, the Company paid compensation to key management personnel which are recognized as an expense during the reporting period.

	Three months ended December 31, 2016	Nine months ended December 31, 2016
Salaries and benefits	192,500	672,579
Share based compensation	875	12,994

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.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

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, Platform Syncordia and Corporate.

As at December 31, 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 Platform Syncordia business segment is located in Dublin, 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 Platform Syncordia 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 nine months ended December 31, 2016.

Three months ended and as at December 31, 2016

	RCM	**Platform Syncordia**	**Corporate**	***Eliminations***	**Total**
Revenue	3,400,716	558,172	-	(558,172)	3,400,716
Amortization	265,663	610,404	112,766	-	988,833
Interest expense	-	214,247	509,747	(214,247)	509,747
Income (loss) before interest, taxes, transaction costs and fair value adjustments	27,819	(307,989)	(594,463)	-	(874,633)
Goodwill	10,758,996	-	-	-	10,758,996
Non-current assets	19,160,563	13,803,983	54,686,903	(56,065,671)	31,585,778
Total assets	22,414,862	13,930,645	54,883,252	(56,065,671)	35,163,088
Total liabilities	3,180,317	10,108,149	14,160,843	(10,000,000)	17,449,309

Nine months ended and as at December 31, 2016

	RCM	**Platform Syncordia**	**Corporate**	***Eliminations***	**Total**
Revenue	11,134,903	1,881,956	-	(1,881,956)	11,134,903
Amortization	783,414	1,825,357	248,838	-	2,857,609
Interest expense	172	640,411	1,562,374	(640,411)	1,562,546
Income (loss) before interest, taxes, transaction costs and fair value adjustments	(194,760)	(1,101,957)	(1,782,345)	-	(3,079,062)
Goodwill	10,758,996	-	-	-	10,758,996
Non-current assets	19,160,563	13,803,983	54,686,903	(56,065,671)	31,585,778
Total assets	22,414,862	13,930,645	54,883,252	(56,065,671)	35,163,088
Total liabilities	3,180,317	10,108,149	14,160,843	(10,000,000)	17,449,309

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

Three months ended and as at December 31, 2015

	RCM	**Platform Syncordia**	**Corporate**	***Eliminations***	**Total**
Revenue	3,678,235	1,022,407	-	(1,022,407)	3,678,235
Gain on settlement of contingent consideration	-	-	-	-	-
Amortization	93,878	610,767	69,055	-	773,700
Interest expense	515	214,247	477,079	(214,247)	477,594
Income (loss) before interest, transaction costs and fair value adjustments	(574,223)	7,869	458,300	-	(108,054)
Goodwill	6,370,291	-	-	-	6,370,291
Non-current assets	9,146,375	14,728,978	37,425,427	(37,354,132)	23,946,648
Total assets	13,874,489	16,104,346	43,857,695	(37,354,132)	36,482,398
Total liabilities	744,281	10,091,262	13,000,123	(10,000,000)	13,835,666

Nine months ended and as at December 31, 2015

	RCM	**Platform Syncordia**	**Corporate**	***Eliminations***	**Total**
Revenue	10,969,933	3,041,111	-	(3,041,111)	10,969,933
Gain on settlement of contingent consideration	1,111,342	-	-	-	1,111,342
Amortization	279,325	1,792,793	202,851	-	2,274,969
Interest expense	1,689	640,411	1,395,548	(640,411)	1,397,237
Income (loss) before interest, transaction costs and fair value adjustments	1,628,427	137,703	(1,120,766)	-	645,364
Goodwill	6,370,291	-	-	-	6,370,291
Non-current assets	9,146,375	14,728,978	37,425,427	(37,354,132)	23,946,648
Total assets	13,874,489	16,104,346	43,857,695	(37,354,132)	36,482,398
Total liabilities	744,281	10,091,262	13,000,123	(10,000,000)	13,835,666

Revenue from external customers is assigned to geographic areas based on the location of the customers. For the three and nine months ended December 31, 2016 and 2015, all revenue earned was from customers located in the United States.

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

Syncordia Technologies and Healthcare Solutions, Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended December 31, 2016 and 2015

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 and nine months ended December 31, 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 December 31, 2016
Exercise price (Canadian dollars)	$3.30	$3.30
Share price (Canadian dollars)	$3.00	$0.22
Risk-free interest rate	0.56%	0.73%
Expected volatility	36%	36%
Term	2 years	0.5 years
Expected life	1 year	0.5 years
Expected dividend yield	Nil	Nil
Value (US dollars)	$608,987	$0