NEXJ SYSTEMS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations (the "MD&A") should be read in conjunction with the audited financial statements for the years ended December 31, 2017 and 2016, which we prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Caution Regarding Forward-Looking Statements" and "Risk Factors". The information in this discussion is provided as of February 21, 2018, unless we indicate otherwise.

Where we say "we", "us", "our", "NexJ" or "the Company", we mean NexJ Systems Inc.

Unless otherwise indicated, all dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and percentages.

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs.

These forward-looking statements include, among other things, statements relating to:

- *the Company's expectations regarding its revenue, expenses and operations;*
- *the Company's anticipated cash needs and its need for additional financing;*
- *the Company's ability to protect, maintain and enforce its intellectual property rights;*
- *third-party claims of infringement or violation of, or other conflicts with, intellectual property rights by the Company;*
- *the Company's plans for and timing of expansion of its solutions and services;*
- *the Company's future growth plans;*
- *the acceptance by the Company's customers and the marketplace of new technologies and solutions;*
- *the Company's ability to attract new customers and develop and maintain existing customers;*
- *the Company's ability to attract and retain personnel;*
- *the Company's expectations with respect to advancement in its technologies, including the ability to address trends in artificial intelligence;*
- *the Company's competitive position and its expectations regarding competition;*
- *the Company's expectations with respect to the strategic value, synergies, ability to leverage relationships, ability to cross-sell, revenue growth, expenses and liabilities with respect to acquired businesses;*
- *the Company's beliefs that its solutions are well positioned to address trends in artificial intelligence;*
- *our ability to successfully integrate and manage acquired businesses, offerings and people;*

- *regulatory developments and the regulatory environments in which the Company operates; and*
- *anticipated trends and challenges in the Company's business and the markets in which it operates.*

Forward-looking statements are based on certain assumptions and analysis made by the Company based on its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, current and prospective investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors. These risks, uncertainties, assumptions and other factors could cause the Company's actual results, performance, achievements and experience to differ materially from the Company's expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

This MD&A should be viewed in conjunction with the Company's other publicly available filings including the Annual Information Form, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Risks and Uncertainties

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. This MD&A also includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share used to evaluate the Company's operating performance as a complement to results provided in accordance with IFRS.

The term "Adjusted EBITDA" refers to net income (loss) before adjusting for loss from discontinued operation, share-based payment expense, depreciation and amortization, impairment charge on non-financial assets, impairment of loan receivable and shared services, deferred share unit expense, foreign exchange gain (loss), finance income, finance costs and income taxes. The Company has recorded deferred share unit expense in the second quarter of 2017, representing the fair value of the fully vested equity settled deferred share units granted to the independent directors of the Board of Directors. The Company believes that the deferred share unit expense is not connected to and does not represent the operating performance of the Company for the year ended December 31, 2017 and accordingly, this has been excluded from Adjusted EBITDA. "Adjusted EBITDA margin" refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

"Adjusted EBITDA per share" refers to Adjusted EBITDA divided by the weighted average number of Common Shares outstanding, which we calculate on a basic and diluted basis.

We believe that Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are useful supplemental information as they provide an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed, the loss from discontinued operation as well as expenses related to share-based payment expense, impairment charge on non-financial assets, impairment of loan receivable and shared services, deferred share unit expense and the other items listed above. Accordingly, we believe that these measures may also be useful to investors in enhancing their understanding of the Company's operating performance. See "Results of Operations – Adjusted EBITDA".

Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share may not be comparable to similar measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and Adjusted EBITDA margin should not be construed as an alternative to net income (loss) as determined in accordance with IFRS.

Overview

NexJ provides intelligent customer management solutions to financial services industries. Firms use our product suite to improve customer understanding, execute best practices, make smarter decisions and meet their unique business goals while maintaining compliance with regulatory obligations. NexJ's products include industry-specific customer relationship management (CRM) to enable collaboration across countries, regions and teams; customer process management (CPM), which is a SmartForms and workflow product that guides form fill and automates routing and approval processes for client onboarding and compliance; and customer data analytics & intelligence (CDAi), which is a modern enterprise integration platform that enables firms to increase the reliability and efficiency of analytics and AI initiatives, even when the data is inconsistent, siloed, unstructured, and changing continually.

Our revenue consists primarily of software license fees, professional service fees, and maintenance and support fees. All NexJ products are licensed either as a one-time purchase (perpetual license) or subscription fee. NexJ's solutions can be deployed on premise, hosted in an external data center and hosted as a managed service. Pricing for NexJ's on-premise solution is based on a perpetual software license model. Professional services revenue consists of fees charged for customization, implementation, integration and ongoing services associated with our software products. Maintenance and support revenue consists of fees charged for post-delivery customer support on our software products. Maintenance fee arrangements generally include ongoing customer support and rights to certain unspecified product updates. Our customers typically purchase a combination of software, maintenance and professional services, although the type, mix and quantity of each varies by customer.

Professional service costs consist primarily of the costs directly related to revenues including internal costs required to deliver professional services and maintenance.

Research and development expenses include personnel and related costs associated with our research and development efforts.

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing functions, including commissions, direct marketing campaigns, webinars, public relations and other promotional activities.

General and administrative expenses include personnel and related costs associated with the administration of our business, rental of office space, legal and professional fees and insurance.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: revenue, expenses, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA per share, and net income (loss). We evaluate our performance on these metrics by comparing our actual results to management budgets, forecasts and prior period performance.

Plan of Arrangement – Healthcare Spin-off and discontinued operation

On January 25, 2016, the Company, NexJ Health Inc. and NexJ Health Holdings Inc., a newly incorporated company, completed a Plan of Arrangement (the "Arrangement") pursuant to the Canada Business Corporation Act. Upon the effective date of the Arrangement, the Company's shareholders received one new common share of the Company and one common share of NexJ Health Holdings Inc. for each common share of the Company held immediately prior to the Arrangement becoming effective.

The Company has presented the results of the Healthcare business as a discontinued operation in the financial statements for the comparative period from January 1, 2016 to January 24, 2016 to show the discontinued operation separately from the continuing operations.

Selected Annual Information

The following table sets out selected financial information for the periods indicated. The selected financial information of the Company as at December 31, 2017 and 2016 and for the fiscal years ended December 31, 2017, 2016 and 2015 has been derived from the Company's audited financial statements.

	Year ended December 31,		
	2017	2016	2015
	(In thousands of dollars, except per share amounts)		
Statements of Comprehensive Income (Loss)			
Revenue	$ 27,502	$ 33,521	$ 28,580
Operating Expenses			
Professional services	10,517	11,850	12,311
Research and development, net	7,418	7,693	6,973
Sales and marketing	4,180	4,876	4,934
General and administrative, net	6,697	6,693	7,183
Impairment of loan receivable and shared services	—	1,630	—
Total Operating Expenses	28,812	32,742	31,401
Income (loss) from operations	(1,310)	779	(2,821)
Foreign exchange (loss) gain	(715)	(270)	947
Finance income	95	77	116
Income (loss) before income taxes	(1,930)	586	(1,758)
Income taxes	—	—	—
Income (loss) from continuing operations	(1,930)	586	(1,758)
Income (loss) from discontinued operation	—	(252)	(5,382)
Net income (loss) and comprehensive income (loss)	$ (1,930)	$ 334	$ (7,140)
Net earnings (loss) per share			
Basic and diluted from continuing operations	$ (0.09)	$ 0.03	$ (0.09)
Basic and diluted from discontinued operation	$ —	$ (0.01)	$ (0.26)
Basic and diluted	$ (0.09)	$ 0.02	$ (0.35)
Weighted average number of Common Shares outstanding (000's)			
Basic	20,364	20,206	20,457
Diluted	20,364	20,697	20,457

2017 Financial Summary

- Revenue decreased by 35%, to $6,247, for the quarter ended December 31, 2017 from $9,576 in the comparative period in 2016. Revenue decreased by 18%, to $27,502, for the fiscal year 2017 from $33,521 in fiscal year 2016.
- Adjusted EBITDA (as defined under non-IFRS measures above) was a loss of $492, or $(0.02) per share (basic and diluted), for the quarter ended December 31, 2017 compared to Adjusted EBITDA of $2,048, or $0.10 per share (basic and diluted), in the comparative period in 2016. Adjusted EBITDA margin was (8%) in the current quarter compared to 21% in the same period in 2016. Adjusted EBITDA was $27, or $0.00 per share (basic and diluted), for the fiscal year 2017 compared to an Adjusted EBITDA of $4,189, or $0.21 per share (basic) and $0.20 per share (diluted), in fiscal year 2016. Adjusted EBITDA margin was 0% for the fiscal year 2017 compared to 12% for the fiscal year in 2016.
- Net loss was $689, or $(0.03) per share (basic and diluted), for the quarter ended December 31, 2017 as compared to a net income of $1,950, or $0.10 per share (basic) and $0.09 per share (diluted), in the comparative period in 2016. Net loss was $1,930, or $(0.09) per share (basic and diluted), in fiscal year 2017 as compared to a net income of $334, or $0.02 per share (basic and diluted), in fiscal year 2016.

Results of Operations

The following table sets forth a summary of our results of operations for the quarters and fiscal years ended December 31, 2017 and 2016:

(In thousands of dollars, except percentages and per share amounts)

	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2017	2016	$	%	2017	2016	$	%
Revenue*	$6,247	$9,576	(3,329)	(35)	$27,502	$33,521	(6,019)	(18)
Expenses								
Professional services (1)	2,401	2,626	(225)	(9)	10,461	11,594	(1,133)	(10)
Research and development, net (2)	1,895	1,727	168	10	7,337	7,388	(51)	(1)
Sales and marketing (3)	1,053	1,484	(431)	(29)	4,167	4,828	(661)	(14)
General and administrative, net (4)	1,390	1,691	(301)	(18)	5,510	5,522	(12)	(0)
Total Expenses	6,739	7,528	(789)	(10)	27,475	29,332	(1,857)	(6)
Adjusted EBITDA	**$(492)**	**$2,048**	**(2,540)**	**(124)**	**$27**	**$4,189**	**(4,162)**	**(99)**
Loss from discontinued operation*	—	—	—	—	—	252	(252)	(100)
Impairment of loan receivable and shared services	—	170	(170)	(100)	—	1,630	(1,630)	(100)
Share-based payment expense	30	146	(116)	(79)	217	923	(706)	(76)
Depreciation and amortization	225	213	12	6	920	857	63	7
Deferred share unit expense	—	—	—	—	200	—	200	100
Foreign exchange loss (gain)	(21)	(404)	383	95	715	270	445	165
Finance income	(37)	(27)	(10)	(37)	(95)	(77)	(18)	(23)
Income (loss) before income taxes	(689)	1,950	(2,639)	(135)	(1,930)	334	(2,264)	(678)
Income taxes	—	—	—	—	—	—	—	—
Net income (loss)	**$(689)**	**$1,950**	**(2,639)**	**n/m**	**$(1,930)**	**$334**	**(2,264)**	**n/m**

n/m – not meaningful

	Quarter ended 2017	Quarter ended 2016	Year ended 2017	Year ended 2016
Weighted average number of common shares outstanding (000's)				
Basic	20,570	20,048	20,364	20,206
Diluted	20,570	20,761	20,364	20,697
Earnings (loss) per share				
Basic	$ (0.03)	$ 0.10	$ (0.09)	$ 0.02
Diluted	$ (0.03)	$ 0.09	$ (0.09)	$ 0.02
Adjusted EBITDA per share				
Basic	$ (0.02)	$ 0.10	$ 0.00	$ 0.21
Diluted	$ (0.02)	$ 0.10	$ 0.00	$ 0.20

** The Healthcare business was spun off on January 25, 2016 and in the statements of comprehensive income (loss) for the quarter and fiscal year ended December 31, 2016, the revenue and expenses of the Healthcare business have been classified as part of the loss from discontinued operation.*

(1) Professional services for the quarter and fiscal year ended December 31, 2017 exclude share-based payment expense of $7 and $56 (2016 - $38 and $256), respectively.
(2) Research and development expenses for the quarter and fiscal year ended December 31, 2017 exclude share-based payment expense of $9 and $81 (2016 - $47 and $305), respectively.
(3) Sales and marketing expenses for the quarter and fiscal year ended December 31, 2017 exclude share-based payment expense of $2 and $13 (2016 - $8 and $48), respectively.
(4) General and administrative expenses for the quarter and fiscal year ended December 31, 2017 exclude share-based payment expense of $12 and $67 (2016 - $53 and $314), respectively, depreciation and amortization of $225 and $920 (2016 - $213 and $857), respectively, and deferred share unit expense of $nil and $200 (2016 - $nil and $nil), respectively.

Comparison of the Quarters and Fiscal Years ended December 31, 2017 and 2016

	As at December 31, 2017	As at December 31, 2016
	(In thousands of dollars)	
Selected Statement of Financial Position Data	$	$
Cash and cash equivalents	14,784	14,678
Total assets	25,100	32,323
Deferred revenue	4,601	7,137
Total non-current liabilities	80	1,419
Total liabilities	8,185	14,799
Total shareholders' equity	16,915	17,524

Revenue

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the quarters and years ended December 31, 2017 and 2016:

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2017	2016	$	%	2017	2016	$	%
License fees	$659	$2,367	$(1,708)	(72)	$5,786	$5,821	$(35)	(1)
Professional services	3,314	5,234	(1,920)	(37)	13,494	20,087	(6,593)	(33)
Maintenance and support	2,274	1,975	299	15	8,222	7,613	609	8
Total	6,247	9,576	(3,329)	(35)	27,502	33,521	(6,019)	(18)

Total revenue for the quarter ended December 31, 2017 was $6,247, a decrease of $3,329, or 35%, from $9,576 recognized in the comparative period in 2016. Total revenue for the fiscal year ended December 31, 2017 was $27,502, a decrease of $6,019, or 18%, from $33,521 recognized in the comparative period in 2016. The Company had a reduced number of active customer contracts in fiscal 2017 for software license deployments, thereby impacting the license revenue as well as the implementation services revenue as compared to the comparative periods in 2016.

License fees — License revenue for the quarter ended December 31, 2017 decreased by $1,708, or 72%, to $659, from $2,367 recognized in the comparative period in 2016. The revenue recognized for the quarter ended December 31, 2017 was due to a new customer arrangement with Emirates NBD, a leading banking group in the MENA region, entered into in the fourth quarter of 2017 as well as due to additional software licenses purchased by existing customers. During the fiscal year ended December 31, 2017, license revenue decreased by $35, or 1%, to $5,786, from $5,821 recognized in the comparative period in 2016. The license revenue recognized for the fiscal year ended December 31, 2017 was due to two new customer arrangements (one with Emirates NBD entered into in the fourth quarter of 2017 and one with a major Global financial services company entered into in the third quarter of 2016) as well as due to additional software licenses purchased by existing customers. In the comparative period for the quarter and fiscal year ended December 31, 2016, the Company recognized revenue from additional software licenses purchased by an existing customer as well as revenue from two new customer arrangements (one with a major Global financial services company entered into in the third quarter of 2016 and the other with a major Global bank entered into in the third quarter of 2015).

For our enterprise solutions, we follow contract accounting which involves the use of the percentage of completion method for recognizing revenues relating to the combination of software licenses and professional services for customer arrangements that meet applicable accounting criteria.

Professional services — Professional services revenue for the quarter ended December 31, 2017 decreased by $1,920, or 37%, to $3,314 from $5,234 recognized in the comparative period in 2016. During the fiscal year ended December 31, 2017, professional services revenue decreased by $6,593, or 33%, to $13,494, from $20,087 for the comparative period in 2016. The Company earned professional services revenue from the two new customer arrangements; one with Emirates NBD entered into in the fourth quarter of 2017, and the other with a major Global financial services company entered into in the third quarter of 2016. The decrease in professional services revenue was mainly due to decrease in incremental non-essential or post-software deployment professional services to some of our existing customers for the quarter and fiscal year ended December 31, 2017 where software license deployment and acceptance had taken place in prior periods.

Maintenance and support — Maintenance and support revenue for the quarter ended December 31, 2017 increased by $299, or 15%, to $2,274 from $1,975 for the comparative period in 2016. During the fiscal year ended December 31, 2017, maintenance and support revenue increased by $609, or 8%, to $8,222, from $7,613 for the comparative period in 2016. The increase in maintenance and support revenue for the quarter and fiscal year ended December 31, 2017 was due to the commencement of maintenance and support with respect to the arrangements with two customers wherein the software licenses were deployed in the second quarter of 2016 and in the third quarter of 2017, respectively, and additional software licenses purchased by existing customers throughout 2017, offset by the maintenance and support revenue for the year ended December 31, 2016 which included certain one-time hosting and support charges for a customer, which was not the case in 2017.

The Company's revenue by geographic region is as follows:

(In thousands of dollars)	Quarter ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
United States of America	$3,439	$6,059	$19,214	$18,171
Canada	189	373	764	1,309
Asia Pacific	568	395	2,745	2,580
EMEA	2,051	2,749	4,779	11,461
Total	6,247	9,576	27,502	33,521

Deferred revenue

Deferred revenue balance at December 31, 2017 was $4,601 (December 31, 2016 - $7,137), relating to software licenses, professional services arrangements and annual maintenance and support revenue. The decrease was mainly due to completion of an arrangement with a major Global financial services company entered into in the third quarter of 2016.

In the fiscal year ended December 31, 2017, we recognized revenue of $7,124 that was deferred at December 31, 2016, comprised of $4,110 from software license and professional services arrangements and $3,014 from maintenance and support revenue.

Expenses

The following table sets forth the breakdown of our expenses by category and the change for the quarters and years ended December 31, 2017 and 2016:

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2017	2016	$	%	2017	2016	$	%
Professional services	2,401	2,626	(225)	(9)	10,461	11,594	(1,133)	(10)
Research and development, net	1,895	1,727	168	10	7,337	7,388	(51)	(1)
Sales and marketing	1,053	1,484	(431)	(29)	4,167	4,828	(661)	(14)
General and administrative, net	1,390	1,691	(301)	(18)	5,510	5,522	(12)	n/m
Total	6,739	7,528	(789)	(10)	27,475	29,332	(1,857)	(6)

n/m – not meaningful

Total expenses for the quarter ended December 31, 2017 decreased by $789, or 10%, to $6739, compared to $7,528 over the comparative period in 2016. For the fiscal year ended December 31, 2017, expenses decreased by $1,857, or 6%, to $27,475, compared to $29,332 over the comparative period in 2016. Our average full time equivalent employee headcount increased to 186 for the quarter ended December 31, 2017 from 180 in the comparative period in 2016. Our average fulltime equivalent employee headcount increased to 204 for the fiscal year ended December 31, 2017 from 197 in the comparative period in 2016.

Professional services — Professional services expenses for the quarter ended December 31, 2017 decreased by $225, or 9%, to $2,401, from $2,626 for the comparative period in 2016. For the quarter ended December 31, 2017, the average full time equivalent employee headcount devoted to professional services was 68 as compared to 74 for the comparative period in 2016. During the fiscal year ended December 31, 2017, professional services expenses

decreased by $1,133, or 10%, to $10,461, compared to $11,594 over the comparative period in 2016. For the fiscal year ended December 31, 2017, the average full time equivalent employee headcount devoted to professional services was 80 as compared to 78 for the comparative period in 2016. The decrease in the expenses for the quarter and year ended December 31, 2017 as compared to prior periods is also attributable to the decrease in the use of contractors as well as decrease in the professional services travel expenses.

Research and development, net — Research and development expenses for the quarter ended December 31, 2017 increased by $168, or 10%, to $1,895, from $1,727 for the comparative period in 2016. For the quarter ended December 31, 2017, the average full time equivalent employee headcount devoted to research and development was 79 as compared to 67 employees over the comparative period in 2016. The increase in the expense is as a result of a change in the mix of employees for the quarter ended December 31, 2017 compared to the same period in 2016 as well as the expenses for the quarter ended December 31, 2016 included certain one-time software and hosting charges, which was not the case in the quarter ended December 31, 2017. During the fiscal year ended December 31, 2017, research and development expenses decreased by $51, or 1%, to $7,337, compared to $7,388 over the comparative period in 2016. For the fiscal year ended December 31, 2017, the Company had an average full time equivalent employee headcount devoted to research and development of 83 as compared to 71 for the comparative period in 2016. The decrease in the expense is as a result of change in the mix of employees for the year ended December 31, 2017 compared to prior period as well as the expenses for fiscal 2016 included certain one-time software and hosting charges, which was not the case in fiscal 2017.

Sales and marketing — Sales and marketing expenses for the quarter ended December 31, 2017 decreased by $431, or 29%, to $1,053, from $1,484 for the comparative period in 2016. For the quarter ended December 31, 2017, the average full time equivalent employee headcount devoted to sales and marketing was 17 as compared to 18 for the comparative period in 2016. During fiscal year ended December 31, 2017, sales and marketing expenses decreased by $661, or 14%, to $4,167, compared to $4,828 over the comparative period in 2016. For the fiscal year ended December 31, 2017, the average full time equivalent employee headcount devoted to sales and marketing was 19 as compared to 24 for the comparative period in 2016. The decrease in the expenses in both the periods is mainly due to a decrease in variable compensation as well as change in employee mix.

General and administrative, net — General and administrative ("G&A") expenses for the quarter ended December 31, 2017 decreased by $301, or 18%, to $1,390, from $1,691 for the comparative period in 2016. For the quarter ended December 31, 2017, the average fulltime equivalent employee headcount devoted to general and administrative was 22 as compared to 21 for the comparative period in 2016. The decrease was primarily due to a change in the employee mix as well as due to the change in the accounting for the deferred share units from cash-settled to equity –settled issued to the directors as Board compensation in May 2017 as compared to the comparative period in 2016. During the fiscal year ended December 31, 2017, G&A expenses decreased by $12, to $5,510 compared to $5,522 over the comparative period in 2016. For the fiscal year ended December 31, 2017, the average full time equivalent employee headcount devoted to general and administrative was 22 as compared to 24 in the comparative period in 2016.

Loss from discontinued operation

As previously discussed, the Healthcare business was spun-off effective January 25, 2016. The Company has presented the results of the Healthcare business as a discontinued operation in the statements of comprehensive income (loss) for the period from January 1, 2016 to January 24, 2016 to show the discontinued operation separately from the continuing operations.

Impairment of loan receivable and shared services

Pursuant to the Arrangement, the Company entered into an interim loan agreement with NexJ Health Inc. that provided that the Company will advance funds to NexJ Health Inc. as required from time to time up to a maximum of $1,000; the loan bears annual interest at prime rate, as published by the Royal Bank of Canada. The Company advanced $994 as of December 31, 2017. The loan receivable is repayable on the date of the closing of a rights offering or other such financing by NexJ Health Inc., or such later date as agreed to by the parties. Management evaluated the recoverability of the loan, including the financial position of NexJ Health Inc. and concluded that $994, being the amount advanced as interim loan up to September 30, 2016, was fully impaired and recorded a provision in the statements of comprehensive income (loss) for the quarter and nine months ended September 30, 2016. As of December 31, 2017, the Company has an interim loan receivable balance of $994 (December 31, 2016 - $994), which was fully provided for in the financial statements as at and for the year ended December 31, 2017 and 2016.

Pursuant to the Arrangement, the Company also entered into a shared services agreement with NexJ Health Inc. under which the Company continued to provide services and support functions relating to facilities, human resources, finance and IT services for a monthly fee agreed upon between the parties. The Company charged $170 and $636, respectively, for these services for the quarter and fiscal year ended December 31, 2016. Management evaluated the recoverability of these charges, including the financial position of NexJ Health Inc. as at December 31, 2016 and concluded it is impaired and recorded a provision of $170 and $636 in the statements of comprehensive income (loss) for the quarter and fiscal year ended December 31, 2016.

Share-based payment expense

For the quarter ended December 31, 2017, share-based payment expense decreased by $116, or 79%, to $30 from $146 recognized in the same period of 2016. During the fiscal year ended December 31, 2017, share-based payment expense decreased by $706, or 76%, to $217, from $923 recognized in the same period in 2016.

In December 2015, the Company modified its stock options plan to cancel and re-grant options to existing employees. Accordingly, the Company cancelled 682,146 stock options issued during the period from 2009 to 2012 ranging in price from $3.50 per share to $9.00 per share and re-granted 781,200 stock options at an exercise price of $1.47 per share to be recognized over the two-year vesting period with the options vesting in eight equal quarterly instalments. In addition, in the quarter ended March 31, 2016, certain stock options issued were accelerated and exercised to receive the common shares of the Company. These changes contributed to the decrease in the expense for the quarter and year ended December 31, 2016. The decrease in the expense for the fiscal year ended December 31, 2016 is also the result of the manner in which the estimated fair value of share-based payments are attributed under IFRS, whereby the share-based payment expense is disproportionately attributed to the periods immediately subsequent to the grant-date as each tranche of the award is recognized over the graded vesting period.

Depreciation and amortization

For the quarter ended December 31, 2017, depreciation and amortization of property and equipment increased by $12, or 6%, to $225, from $213 recognized in the comparative period in 2016. During the year ended December 31, 2017, depreciation and amortization of property and equipment increased by $63, or 7%, to $920, from $857 for the comparative period in 2016.

Deferred share unit expense

The Company grants Deferred Share Units (“DSUs”) to the independent members of the Board of Directors as their annual remuneration for the services rendered as directors on the Company's Board. These DSUs vest immediately and could only be settled in cash and be paid when the Board member is no longer rendering service to the Company. Accordingly, the Company has in the past treated these arrangements as cash settled awards and has recorded the changes in the fair value of the award in the statements of comprehensive income (loss) using the Company's share price as of the reporting date.

In May 2017, the Company modified its DSU plan allowing it to settle the DSUs in cash or equity at the discretion of the Board of Directors of the Company and received the required regulatory approvals to issue common shares from treasury to settle DSUs with equity. On June 23, 2017, the modification date, through a resolution of the Board of Directors, all outstanding DSUs and newly granted DSUs will be settled in equity resulting in a modification of classification of the DSUs from cash settled to equity settled. The modification did not result in the recognition of incremental compensation cost as the fair value was equal to the intrinsic value since these DSUs are fully vested, do not have an exercise price or expiry date and are only settled when the Board member is no longer rendering service to the Company.

On June 23, 2017, the Company also issued 53,620 DSUs to the directors representing their annual remuneration for the fiscal 2017 and recorded a deferred share unit expense of $200 with credit to contributed surplus for the quarter ended June 30, 2017.

Foreign exchange loss (gain)

For the quarter ended December 31, 2017, our foreign exchange gain was $21 compared to a foreign exchange gain of $404 for the comparative period in 2016. For the fiscal year ended December 31, 2017, our foreign exchange loss was $715 compared to a foreign exchange loss of $270 for the same period in 2016.

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and the Australian dollar. The change in the foreign exchange impact during the quarter and year ended December 31, 2017 was the result of fluctuations in exchange rates between the Canadian dollar (our functional and reporting currency), the U.S. dollar and the Australian dollar as well as change in the U.S. dollar and Australian dollar denominated monetary assets held by the Company.

For the quarter ended December 31, 2017, the U.S. dollar strengthened by approximately 1% against the Canadian dollar from C$1.248 to C$1.2545 as compared to the U.S. dollar strengthening by 2% from C$1.3117 to C$1.3427 for the comparative period in 2016. The Australian dollar remained steady against the Canadian dollar from C$0.9783 to C$0.9801 in the fourth quarter of 2017 as compared to weakening by approximately 3% from C$1.0054 to C$0.9707 for the comparative period in 2016.

For the fiscal year ended December 31, 2017, the US dollar weakened by 7% against the Canadian dollar from C$1.3427 to C$1.2545 as compared to weakening by 3% from C$1.3840 to C$1.3427 for the comparative period in 2016. This was further increased by the weakening of the Australian dollar by approximately 1% against the Canadian dollar from C$0.9707 to C$0.9801 in the fiscal year ended December 31, 2017 as compared to weakening by approximately 4% from C$1.0083 to C$0.9707 for the comparative period in 2016.

As at December 31, 2017, U.S. dollar denominated net monetary assets were US$7,840 as compared to US$9,756 as at December 31, 2016. As at December 31, 2017, Australian dollar denominated net monetary assets were AU$2,193 as compared to AU$536 as at December 31, 2016. As at December 31, 2017, British pound-sterling denominated net monetary liabilities were £6 as compared to net monetary assets of £2 as at December 31, 2016.

Finance income

For the quarter ended December 31, 2017, finance income increased by $10, or 37%, to $37, from $27 recognized in the comparative period in 2016. During the fiscal year ended December 31, 2017, finance income increased by $18, or 23%, to $95, from $77 recognized in the comparative period in 2016. The increase for the quarter and year ended December 31, 2017 was primarily as a result of change in the mix of excess cash with more Canadian dollars deployed in yield earning highly liquid instruments as compared to the same periods in 2016. We maintain excess cash in various bank accounts and in highly liquid instruments with low yield and low risk with short-term maturities.

Net income (loss)

We reported a net loss of $689, or $(0.03) per share (basic and diluted), for the quarter ended December 31, 2017 compared to net income of $1,950, or $0.10 per share (basic) and $0.09 per share (diluted), for the same period in 2016. For the fiscal year ended December 31, 2017, we reported a net loss of $1,930, or $(0.09) per share (basic and diluted), compared to a net income of $334, or $0.02 per share (basic and diluted), for the same period in 2016.

Adjusted EBITDA

Total Adjusted EBITDA for the quarter ended December 31, 2017 decreased by $2,540 to a loss of $492, or $(0.02) per share (basic and diluted) as compared to an Adjusted EBITDA of $2,048, or $0.10 per share (basic and diluted), in the comparative period in 2016. Adjusted EBITDA margin was (8%) in the current quarter compared to 21% in the same period in 2016. For the fiscal year ended December 31, 2017, total Adjusted EBITDA decreased by $4,162 to $27, or $0.00 per share (basic and diluted) as compared to $4,189, or $0.21 per share (basic) and $0.20 per share (diluted), in the comparative period in 2016. Adjusted EBITDA margin in the fiscal year ended December 31, 2017 was 0% compared to 12% in the same period in 2016. As the revenues of the Company grow, we expect that the expenses as a percentage of revenues will decline over time which will favourably impact the Adjusted EBITDA. See "Non-IFRS Measures" for a description of Adjusted EBITDA.

Reconciliation of Adjusted EBITDA

The following table reconciles the Adjusted EBITDA to net income (loss):

(In thousands of dollars, except percentages)	Quarter ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	(In thousands of dollars, except percentages)		(In thousands of dollars, except percentages)	
Total revenue	**$6,247**	**$9,576**	**$27,502**	**$33,521**
Net income (loss)	**(689)**	**1,950**	**(1,930)**	**334**
Add back (deduct):				
Loss from discontinued operation	—	—	—	252
Impairment of loan receivable and shared services	—	170	—	1,630
Share-based payment expense	30	146	217	923
Depreciation and amortization	225	213	920	857
Foreign exchange loss (gain)	(21)	(404)	715	270
Finance income	(37)	(27)	(95)	(77)
Adjusted EBITDA	**(492)**	**2,048**	**27**	**4,189**
Adjusted EBITDA margin	**(8)%**	**21%**	**n/m**	**12%**

n/m – not meaningful

Summary of Quarterly Results

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended December 31, 2017. Our quarterly operating results have historically fluctuated significantly and may continue to fluctuate significantly in the future. Therefore, we believe that past operating results and period-to-period comparisons should not be relied upon as an indication of the Company's future performance.

	Quarter Ended							
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
	(In thousands of dollars, except share and per share figures) (Unaudited)							
Revenue*	$6,247	$5,703	$6,736	$8,816	$9,576	$8,857	$7,000	$8,088
Net income (loss) from continuing operations	(689)	(1,153)	(415)	327	1,950	1,125	(713)	(1,776)
Net income (loss) from discontinued operation	—	—	—	—	—	—	—	(252)
Weighted average number of shares outstanding (000`s):								
Basic	20,570	20,626	20,202	20,052	20,048	20,203	20,275	20,300
Diluted	20,570	20,626	20,202	21,270	20,761	20,393	20,275	20,300
Net income (loss) per share from continuing operations:								
Basic	$ (0.03)	$ (0.06)	$ (0.02)	$ 0.02	$ 0.10	$ 0.06	$ (0.04)	$ (0.09)
Diluted	(0.03)	$ (0.06)	$ (0.02)	$ 0.02	$ 0.09	$ 0.06	$ (0.04)	$ (0.09)
Net income (loss) per share from discontinued operation:								
Basic	—	—	—	—	—	—	—	$ (0.01)
Diluted	—	—	—	—	—	—	—	$ (0.01)

**Revenue in the above table excludes the revenue generated by the Healthcare business. The Healthcare business was spun off on January 25, 2016. In the audited statements of comprehensive loss for the fiscal year ended December 31, 2016, the revenue for the Healthcare business has been classified as part of the loss from discontinued operation.*

In periods where a net loss was incurred, stock options and common shares issued pursuant to the share purchase loan and pledge agreements were considered to be anti-dilutive and excluded from the computation of diluted loss per share.

Key factors that account for the fluctuations in quarterly results include the variability in the Company's license revenue and the impact of currency movements against the Canadian dollar. As the timing of executing larger software license arrangements changes from quarter to quarter, the impact on license revenue has been significant. The movement of the Canadian dollar against the U.S. dollar and the Australian dollar has a direct impact on the Company's financial results as certain amount of our revenues are denominated in U.S. dollars and Australian dollars. As a result, in periods where the Canadian dollar strengthens against the U.S. dollar and the Australian dollar, the Company's revenues are negatively impacted.

Liquidity and Capital Resources

As of December 31, 2017, we held cash and cash equivalents of $14,784. We believe that ongoing operations, working capital and associated cash flows in addition to our cash resources provide sufficient liquidity to support our ongoing business operations and satisfy our obligations as they become due. Below is a summary of our cash flows from (used in) operating, financing, and investing activities for the periods indicated:

(In thousands of dollars)	Year ended December 31,	
	2017	**2016***
Net cash flows from operating activities	$1,015	$ 2,924
Net cash flows used in discontinued operation	—	(270)
Net cash flows used in financing activities	(705)	(659)
Net cash flows used in investing activities	(198)	(1,852)
Effect of exchange rate changes on cash and cash equivalents	(6)	(164)
Increase (decrease) in cash and cash equivalents	106	(21)
Beginning cash and cash equivalents	14,678	14,699
Ending cash and cash equivalents	14,784	14,678

**The fiscal year ended December 31, 2016 figures have been presented for the classification of the Healthcare business as a discontinued operation.*

Net cash flows from operating activities

We generated cash of $1,015 in operating activities for the fiscal year ended December 31, 2017. Of the cash generated $1,697 was attributable to movements in non-cash working capital with a significant change arising from decreases in accounts receivable, offset by prepaid expenses and other assets, and decreases in accounts payable and accrued liabilities and deferred revenue, year over year, and the remainder from operating activities.

We generated cash of $2,924 from operating activities for the fiscal year ended December 31, 2016. Of the cash generated, $1,159 is attributable to movements in non-cash working capital with a significant change arising from the increases in accounts receivable and prepaid expenses and other assets, offset by the increases in accounts payable and accrued liabilities and deferred revenue, year over year and the remainder from operating activities.

Net cash flows used in discontinued operation operating activities

For the fiscal year ended December 31, 2016, we used additional cash of $270 from operating activities of the Healthcare business prior to its spin off effective January 25, 2016. Of the cash used, $48 is attributable to movements in non-cash working capital with a significant change arising from the increase in accounts receivable, offset by the increase in deferred revenue and decrease in prepaid expenses and other assets, and the remainder from operating activities.

Net cash flows used in financing activities

For the fiscal year ended December 31, 2017, net cash used in financing activities was $705. This consisted of proceeds from exercise of stock options of $76 offset by the repurchase of common shares of $633 and payment of finance lease for computer equipment of $148.

For the fiscal year ended December 31, 2016, net cash used in financing activities was $659. This consisted of proceeds from exercise of stock options of $166 offset by the repurchase of common shares of $689 and payment of finance lease for computer equipment of $136.

The Company has had a Normal Course Issuer Bid ("NCIB") in place in 2015, 2016 and 2017 and has repurchased its common shares through the NCIB. For each of the NCIB in 2015, 2016 and 2017 approved by the Toronto Stock

Exchange ("TSX") in August of each respective year, the Company can purchase its common shares through all available markets and/or alternative trading systems, including the facilities of the TSX. Each NCIB is valid for one year and the maximum number of common shares which can be purchased, pursuant to each NCIB, aggregated to 1,000,000 common shares per NCIB, representing approximately 4.7% of the number of common shares issued and outstanding.

During the year ended December 31, 2017, the Company repurchased and cancelled 203,920 (2016 – 306,000) of its common shares, through trades on the TSX for an aggregate purchase price of $633 (2016 - $689), which was recorded as a reduction of share capital.

Net cash flows used in investing activities

For the fiscal year ended December 31, 2017, net cash used in investing activities was $198, which consisted of interest received of $95, offset by the purchase of property and equipment of $293.

For the fiscal year ended December 31, 2016, net cash used in investing activities was $1,852, which consisted of interest received of $77, offset by the purchase of property and equipment of $260, the distribution of the discontinued operation to shareholders of $40, and advances to NexJ Health Inc. of $1,630.

Capital Management

We define capital as the aggregate of shareholders' equity, which is comprised of issued capital, contributed surplus and deficit.

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy, fund research and development to enhance existing product offerings as well as develop new ones, undertake selective acquisitions and provide sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards financial leverage and management of financial risk. In managing the capital structure, we take into consideration various factors, including the growth of the business and related infrastructure and the up-front cost of taking on new customers. Our officers and senior management are responsible for managing the capital and do so through quarterly meetings and regular review of financial information. Our Board of Directors is responsible for overseeing this process. We manage capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

We do not have any externally imposed capital requirements.

Contractual Obligations

Our contractual obligations include commitments made with respect to operating leases for office equipment, office premises and finance lease for computer equipment. The Company entered into an amended lease agreement with its landlord for additional office space assumed in 2011 through an operating lease, the term for which ended as at December 31, 2017.

In November 2016, the Company entered into a lease agreement to amend the Company's principal facilities lease with the landlord through an operating lease. The amended lease will come into effect on January 1, 2018 after the expiry date of December 31, 2017 of the existing lease. The amended lease is for a period of five years ending on December 31, 2022.

The following table summarizes our outstanding total approximate future minimum annual lease payments for the leased office premises as of December 31, 2017:

	$
Less than 1 year	636
Between 1 and 5 years	3,817
Total	4,453

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leased office premises. The additional amount on an annual basis is expected to be approximately $1,260.

During the quarter ended March 31, 2016, the Company entered into a finance lease for a period of three years for the purchase of computer hardware with an estimated commitment of $444.

The following table summarizes our outstanding total approximate future annual lease payments with respect to the finance lease for the computer equipment as of December 31, 2017:

	$
Less than 1 year	148
Between 1 and 5 years	12
Total	160

Off-Balance Sheet Transactions

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases, all of our liabilities and commitments are reflected as part of our statement of financial position.

Transactions with Related Parties

Pursuant to the Arrangement, the Company entered into an interim loan agreement that provides that the Company will advance funds to NexJ Health Inc. as required from time to time up to a maximum of $1,000; the loan bears annual interest at prime rate, as published by the Royal Bank of Canada. The Company advanced $994 as of June 30, 2016. Refer to the discussion under the heading “Impairment of loan receivable and shared services”.

In addition, the Company also entered into a shared services agreement with NexJ Health Inc. under which the Company was to provide services and support functions relating to facilities, human resources, finance and IT services for a monthly fee agreed upon between the parties. For the year ended December 31, 2016, the Company charged $636 for these services. The amounts are due on demand and non-interest bearing. The terms of the agreements above and the related amounts being charged were agreed upon by the parties.

The Company charged $636 for these services for the period from January 25, 2016 to December 31, 2016. Management evaluated the recoverability of these charges, including the financial position of NexJ Health Inc. as at December 31, 2016 and concluded it is impaired and recorded a provision of $170 and $636 in the statements of comprehensive income (loss) for the quarter and fiscal year ended December 31, 2016.

Commencing January 1, 2017, as agreed to between the parties, the Company will charge for facilities and any third party costs incurred on behalf of NexJ Health Inc., and accordingly, the Company charged $88 and $401 for the quarter and year ended December 31, 2017. These amounts are recorded under prepaid expenses and other assets in the statement of financial position and have been paid by NexJ Health Inc. subsequent to their respective period end.

Financial Risk Management

In the normal course of our business, we engage in operating and financing activities that generate risks in the following primary areas:

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in foreign exchange rates could impact our results from operations. We are exposed to a significant amount of foreign exchange risk, primarily between the Canadian dollar, the U.S. dollar and the Australian dollar. We transact business in multiple currencies, the most significant of which are the U.S. dollar and the Australian dollar. Currently, we do not enter into foreign exchange contracts to manage this exposure, but may do so in the future. As a result, we have foreign currency exposure with respect to items denominated in foreign currencies.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on our net foreign denominated monetary assets could change by approximately $1,197 due to the fluctuation and this would be recorded in profit or loss.

Credit Risk

Credit risk represents the financial loss that we would experience if a counterparty to a financial instrument, in which we have an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

We have credit risk relating to cash and cash equivalents, which we manage by dealing with large chartered Canadian banks and investing in highly liquid investments.

In order to minimize the credit risk on accounts receivables, our extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are executed and credit checks, where deemed necessary.

The following table summarizes the number of customers that individually comprise greater than 10% of total revenue or total accounts receivable and their aggregate percentage of our total revenue and accounts receivable:

	Revenue	
	Number of customers	% of total
Quarter ended December 31, 2017	4	69%
Year ended December 31, 2017	4	72%
Quarter ended December 31, 2016	3	78%
Year ended December 31, 2016	4	78%

	Accounts receivable	
	Number of customers	% of total
As at December 31, 2017	4	74%
As at December 31, 2016	3	96%

We review accounts receivable balances regularly and reduce amounts to their expected realizable values by recognizing an allowance for doubtful accounts in period the account is estimated not to be fully collectible.

Credit reviews take into account the counterparty's financial position, past experience and other factors. The majority of our customers are large financially established organizations and we believe this limits the credit risk relating to customers.

Liquidity Risk

Liquidity risk is the risk that we are not able to meet our financial obligations as they fall due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that we have sufficient liquidity to meet our liabilities when due, under both normal and financially stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The majority of our financial liabilities are comprised of accounts payable and accrued liabilities. Given our available cash resources as compared to the liabilities, we assess the liquidity risk to be low.

We believe that the existing cash and cash equivalents will provide sufficient funding to meet all working capital, contractual commitments and financing needs for at least the next 12 months.

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. We are, or have been, subject to interest rate risk on our cash and cash equivalents. The impact of change in interest rates has not been, nor is it expected to be, material.

Critical Accounting Policies and Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience, and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

Our significant accounting policies are fully described in Note 3 to our financial statements for the years ended December 31, 2017 and 2016 which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made,

and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our financial statements.

Revenue recognition

Revenue is derived primarily from licensing of software products under non-cancellable license agreements and the provision of related professional services including installation, integration, and post-contract customer support ("PCS"). Revenue recognition requirements are very complex and are affected by interpretations of the rules and industry practices, both of which are subject to change. We follow specific and detailed guidelines in measuring revenue; however, certain judgments and current interpretations of rules and guidelines affect the application of our revenue recognition policy.

The Company's software license agreements are multiple-element arrangements as they may also include professional services and PCS. The Company also enters into subscription based arrangements which may also include professional services. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices or by using the residual method. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting. If services are deemed essential to the functionality of the software, revenue from both the essential services and software is recognized under contract accounting using the percentage-of-completion method to measure the progress to completion, with consideration for customer acceptance provisions, the timing of payments, and the Company's history with similar arrangements. We estimate the percentage-of-completion on contracts utilizing the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each contract. Recognized revenues are subject to revisions as the contract progresses to completion. The estimated total labour hours are a key estimate which drives our revenue recognition under the percentage of completion method. We monitor the estimated total labour hours on a monthly basis as the contract progresses and adjust earnings in the period as a change in estimate or a contract amendment occurs. Revisions in estimates are charged to earnings in the period in which the facts that give rise to the revision become known. It should be noted that a significant amount of our license and professional services revenue are recognized under the percentage of completion method.

Software license revenue, when services are not essential to the functionality of the software, is recognized when the Company has an executed agreement, the software has been delivered, acceptance is probable, the fees are fixed or determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement.

Professional services revenue including implementation and customization of software is recognized by the stage of completion of the transaction at the statements of financial position dates determined using the percentage of completion method noted above. Installation and integration revenue, when not essential to the functionality of the software, is recognized as delivered to the customer, based on the prices charged when these services are sold separately to customers. Out-of-pocket expenditures that are contractually reimbursable from customers are recorded as gross revenue and expenditures.

Maintenance revenue consists of fees charged for customer support on our software products post-delivery, which are determinable based on the price charged for the same or similar PCS support when sold in stand-alone PCS renewals with customers, as substantiated by contractual renewal rates and the Company's renewal experience. Maintenance fee arrangements include ongoing customer support and rights to certain product updates "if and when available". Customer payments for maintenance are generally received in advance and are non-refundable. Maintenance revenue is deferred and recognized on a straight-line basis over the life of the related period, which is typically one year.

Amounts are generally billable upon reaching certain performance milestones, as defined by individual contracts. Billings rendered in advance of performance under contracts are recorded as deferred revenue.

Goodwill - valuation and impairment testing

Goodwill is measured at cost less any subsequent impairment in value. We measure goodwill arising on a business combination as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any negative difference is recognized directly in the statements of comprehensive income (loss).

We test for impairment as follows:

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment at least annually even if there is no indication of impairment, and the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit", "CGU") is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses are recognized in the statements of comprehensive income (loss).

An impairment loss in respect of goodwill cannot be reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share-based payments

The Company accounts for all share-based payments using the fair value-based method.

The Company uses the Black-Scholes option pricing model to determine fair value of stock options at the grant date. The grant date fair value of stock options granted to employees is recognized as compensation expense, with a corresponding increase to contributed surplus, over the period that the employees become unconditionally entitled to the options. The expense is adjusted to reflect the estimated number of options expected to vest at the end of the vesting period. When options are exercised, the proceeds as well as the related amount in contributed surplus are credited to share capital. Measurement inputs include the price of shares on the measurement date, exercise price of the option, expected volatility, weighted average expected life of the option, expected dividends and the risk-free interest rate. This pricing model requires management to make highly subjective assumptions with respect to expected volatility, dividend yield, expected life, and risk free interest rate. Changes in the input assumptions can materially affect the fair value estimate.

Recent Accounting Pronouncements

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements. In particular, the following relevant new standards that have been issued but are not yet effective:

IFRS 2, Share-based Payments ("IFRS 2"):

IFRS 2 was amended to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual

periods beginning on or after January 1, 2018 and at this time, no significant impact is expected on the Company's results.

IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement, on the classification and measurement of financial assets and financial liabilities. Financial assets will be classified into one of two categories on initial recognition: amortized cost or fair value. For financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the change recognized in statements of comprehensive income (loss). The standard is effective for annual periods beginning on or after January 1, 2018 with retroactive application and at this time, no significant impact is expected on the Company's results.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 replaces IAS 11, Construction contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers and SIC 31, Revenue-Barter Transactions Involving Advertising Services; and introduces a single model of recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The new standard is effective for the Company's fiscal year beginning January 1, 2018.

While the Company continues to assess the potential impacts of the new revenue recognition standard, it currently believes the most significant impacts will relate to the commission costs paid to employees to obtain customer contracts. Under IFRS 15, the Company will capitalize and amortize incremental commission costs on a systematic basis, consistent with the pattern of transfer of the goods and services to which the commission relates.

The revenues of the Company arise from the multi-element deliverable software arrangements with significant implementation professional services which are currently accounted under the percentage-of-completion method and under IFRS 15, the Company expects to meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method and does not expect any changes. The Company also does not expect any change in recognition of revenue for the follow on professional services and ongoing maintenance and support.

The Company expects to utilize the cumulative effect method of transition to IFRS 15. As a result, the Company will be required to disclose the quantitative difference between the reported fiscal 2018 results under IFRS 15 and those that would have been reported under current IFRS.

IFRS 16, Leases ("IFRS 16"):

IFRS 16 replaces IAS 17, Leases; and introduces new rules for accounting for leases which will result in substantially all lessee leases being recorded on the statement of financial position. The standard is effective for annual periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted, but only if the entity is also applying IFRS 15.

The Company will adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is assessing the impact of this standard on its financial statements and expects that on adoption of the standard there will be an increase to assets and liabilities, as we will be required to record a right-of-use asset and a corresponding lease liability on our statements of financial position. In addition, we expect a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).

Outstanding Share Data

As of February 21, 2018, 21,034,122 Common Shares were issued and outstanding. In addition, as of December 31, 2017, there were 1,474,621 stock options outstanding with exercise prices ranging from $1.23 to $4.50 per share.

As at December 31, 2017, there were 445,311 deferred share units ("DSUs") outstanding under the Company's deferred share unit plan for independent members of the Board of Directors, each of which represents the right to acquire one common share when the Board member is no longer rendering service to the Company.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At December 31, 2017, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

Management is responsible for designing and maintaining internal controls over financial reporting ("ICFR") as defined under National Instrument 52-109. At December 31, 2017, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Framework (2013).

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the quarter and fiscal year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that its objectives are met. Due to inherent limitations in all systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute assurance that the objectives of our control systems have been met.

About NexJ Systems Inc.

NexJ provides intelligent customer management solutions to the financial services industry.

Our solutions include customer data management and intelligence (CDAi), a modern enterprise integration platform that enables firms to increase the reliability and efficiency of data for analytics and AI initiatives, industry-specific customer relationship management (CRM) to enable collaboration across countries, regions and teams and customer process management (CPM), a SmartForms and workflow product that delivers guided form fill, routing and approval processes.

NexJ was founded by an executive management team with extensive experience in the successful design and delivery of large-scale, integrated, enterprise software solutions. NexJ is publicly traded on the Toronto Stock Exchange (TSX: NXJ). For further information about the company, please visit www.nexj.com. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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Quarterly Investment Community Conference Call

As previously announced by press release, a live webcast of our annual results conference call with the investment community will be hosted via a conference call and webcast beginning at 5:00 p.m. ET today, February 21, 2018. A replay of the call will be available beginning February 21, 2018 at 8:00 p.m. ET through 11:59 p.m. ET on February 28, 2018 and can be accessed by dialing 1-855-859-2056 and using password 4649409.

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