

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 unaudited condensed interim financial statements for the quarter and nine months ended September 30, 2018, which we prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should also be read in conjunction with our annual MD&A and audited financial statements for the years ended December 31, 2017 and 2016, which we prepared in accordance with IFRS and are available on SEDAR at www.sedar.com. 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 October 25, 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.

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.

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 share-based payment expense, depreciation and amortization, lease-exit charges, net, deferred share unit expense, restructuring costs, foreign exchange gain (loss), finance income, finance costs and income taxes. We believe that the items excluded from Adjusted EBITDA are not connected to and does not represent the operating performance of the Company. “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, as well as expenses related to share-based payment expense, lease-exit charges, net, deferred share unit expense, restructuring costs 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 Systems is a provider of Intelligent Customer Management software for the financial services industry. The Intelligent Customer Management suite is comprised of NexJ’s award winning-products that use artificial intelligence to optimize customer management and increase advisor productivity, and cognitive applications that use machine learning to recommend the right actions to work smarter and faster. 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.

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. 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.

Results of Operations

The following table sets forth a summary of our results of operations for the quarters and nine months ended September 30, 2018 and 2017:

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

	Quarter ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2018	2017	\$	%	2018	2017	\$	%
Revenue	\$5,320	\$5,703	(383)	(7)	\$16,262	\$21,255	(4,993)	(23)
Expenses								
Professional services (1)	1,704	2,442	(738)	(30)	6,065	8,060	(1,995)	(25)
Research and development, net (2) ..	2,321	1,739	582	33	6,840	5,442	1,398	26
Sales and marketing (3)	788	716	72	10	2,661	3,114	(453)	(15)
General and administrative, net (4) ..	1,193	1,197	(4)	n/m	3,840	4,120	(280)	(7)
Total Expenses	6,006	6,094	(88)	(1)	19,406	20,736	(1,330)	(6)
Adjusted EBITDA	(686)	(391)	(295)	(75)	(3,144)	519	(3,663)	n/m
Share-based payment expense	76	39	37	95	165	187	(22)	(12)
Depreciation and amortization	92	229	(137)	(60)	284	695	(411)	(59)
Lease-exit charges, net	—	—	—	—	103	—	103	n/m
Deferred share unit expense	—	—	—	—	225	200	25	13
Restructuring costs	—	—	—	—	331	—	331	n/m
Foreign exchange loss (gain)	171	517	(346)	n/m	(239)	736	(975)	n/m
Finance income	(30)	(23)	(7)	n/m	(107)	(58)	(49)	n/m
Loss before income taxes	(995)	(1,153)	158	14	(3,906)	(1,241)	(2,665)	n/m
Income taxes	—	—	—	—	—	—	—	—
Net loss	\$(995)	\$(1,153)	158	14	\$(3,906)	\$(1,241)	(2,665)	n/m
Weighted average number of common shares outstanding (000's)								
Basic and diluted	20,586	20,626			20,551	20,294		
Net loss per share								
Basic and diluted	\$ (0.05)	\$ (0.06)			\$ (0.19)	\$ (0.06)		
Adjusted EBITDA per share								
Basic and diluted	\$ (0.03)	\$ (0.02)			\$ (0.15)	\$ 0.03		

n/m — not meaningful

(1) Professional services for the quarter and nine months ended September 30, 2018 exclude share-based payment expense of \$12 and \$15 (2017 - \$14 and \$49) respectively.

(2) Research and development expenses for the quarter and nine months ended September 30, 2018 exclude share-based payment expense of \$11 and \$21 (2017 - \$15 and \$72) respectively.

(3) Sales and marketing expenses for the quarter and nine months ended September 30, 2018 exclude share-based payment expense of \$2 and \$4 (2017 - \$2 and \$11) respectively.

(4) General and administrative expenses for the quarter and nine months ended September 30, 2018 exclude share-based payment expense of \$51 and \$125 (2017 - \$8 and \$55) respectively, depreciation and amortization of \$92 and \$284 (2017 - \$229 and \$695) respectively, lease-exit charges of \$nil and \$103 (2017 - \$nil and \$nil) respectively, and deferred share unit expense of \$nil and \$225 (2017 - \$nil and \$200) respectively.

As at September 30, 2018 As at December 31, 2017

(In thousands of dollars)

Selected Statement of Financial Position Data

	\$	\$
Cash and cash equivalents	11,816	14,784
Total assets	21,520	25,100
Deferred revenue	5,047	4,669
Total non-current liabilities	26	80
Total liabilities	8,271	8,185
Total shareholders' equity	13,249	16,915

Comparison of the quarters and nine months ended September 30, 2018 and 2017

Revenue

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the quarters and nine months ended September 30, 2018 and 2017:

(In thousands of dollars, except percentages)	Quarter ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2018	2017	\$	%	2018	2017	\$	%
	License fees	\$615	\$557	58	10	1,717	\$5,127	(3,410)
Professional services	2,425	3,109	(684)	(22)	7,904	10,180	(2,276)	(22)
Maintenance and support	2,280	2,037	243	12	6,641	5,948	693	12
Total	5,320	5,703	(383)	(7)	16,262	21,255	(4,993)	(23)

Total revenue for the quarter ended September 30, 2018 was \$5,320, a decrease of \$383, or 7%, from \$5,703 recognized in the comparative period in 2017. Total revenue for the nine months ended September 30, 2018 was \$16,262, a decrease of \$4,993, or 23%, from \$21,255 recognized in the comparative period in 2017. The Company had reduced active software license deployments for the quarter and nine months ended September 30, 2018, thereby impacting the license revenue as well as the implementation services revenue as compared to the comparative period in 2017. The Company adopted IFRS 15 “Revenue from contracts with customers” (“IFRS 15”) effective January 1, 2018 utilizing the cumulative effect method. Under the cumulative effect method comparative periods have not been restated however the quantitative differences between reported results under IFRS 15 and those that would have been reported under IAS 11 and IAS 18 (“prior IFRS”) have been disclosed. There were no material changes to the timing and measurement of the Company’s revenue in the reporting period, as compared to the prior IFRS.

License fees — License revenue for the quarter ended September 30, 2018 increased by \$58, or 10%, to \$615, from \$557 recognized in the comparative period in 2017. The increase was due to a new arrangement with a new line of business within an existing customer entered into during the quarter that will deliver to the Company revenue from software licenses, services and maintenance in the coming quarters as well as due to additional software licenses purchased by existing customers. During the nine months ended September 30, 2018, license revenue decreased by \$3,410, or 67%, to \$1,717, from \$5,127 recognized in the comparative period in 2017. The revenue recognised for the nine months ended September 30, 2018, was mainly due to a customer arrangement with Emirates NBD, a leading banking group in the MENA region, entered into in the fourth quarter of 2017, where the solution was deployed at the end of June, 2018. In the comparative period, revenues came from a customer arrangement with a major Global financial services company entered into in the third quarter of 2016, which continued to deliver software licenses, professional services and maintenance revenue to the Company in the subsequent quarters as well as due to additional software licenses purchased by an existing customer.

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 September 30, 2018 decreased by \$684, or 22%, to \$2,425 from \$3,109 recognized in the comparative period in 2017. During the nine months ended September 30, 2018, professional services decreased by \$2,276, or 22%, to \$7,904, from \$10,180 for the comparative period in 2017. The Company earned professional services revenue from a new arrangement with a new line of business within an existing customer entered into during the quarter and continued to earn 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 for the quarter and nine months ended September 30, 2018, was mainly due to a decrease in incremental distinct or post-software deployment professional services to some of our existing customers where software license deployment and acceptance had taken place in prior periods.

Maintenance and support — Maintenance and support revenue for the quarter ended September 30, 2018 increased by \$243, or 12%, to \$2,280, from \$2,037 for the comparative period in 2017. During the nine months ended September 30, 2018, maintenance and support revenue increased by \$693, or 12%, to \$6,641, from \$5,948 for the comparative period in 2017. The increase in maintenance and support revenue for the quarter and nine months ended September 30, 2018 relates to the commencement of maintenance and support with two additional customers wherein the software licenses were deployed in the second quarter of 2018, and third quarter of 2017, and additional software licenses purchased by existing customers in 2017 and 2018.

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

(In thousands of dollars)	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
United States of America	\$4,051	\$4,165	\$10,613	\$15,775
Canada.....	223	183	599	575
EMEA	774	602	3,976	2,728
Asia Pacific	272	753	1,074	2,177
Total	5,320	5,703	16,262	21,255

Deferred revenue

Deferred revenue balance at September 30, 2018 was \$5,047 (December 31, 2017 - \$4,669), relating to software licenses, professional services arrangements and annual maintenance and support revenue. The increase was mainly due to the maintenance and support charges invoiced to the customers at the commencement of the 2018 term, offset by the revenue recognized in the nine months ended September 30, 2018.

In the nine months ended September 30, 2018, we recognized revenue of \$4,336 that was deferred at December 31, 2017, comprised of \$4,331 from maintenance and support revenue and \$5 from professional services revenue.

Expenses

The following table sets forth the breakdown of our expenses by category and the change for the quarters and nine months ended September 30, 2018 and 2017:

(In thousands of dollars, except percentages)	Quarter ended		Period-Over-Period		Nine months ended		Period-Over-Period	
	September 30,		Change		September 30,		Change	
	2018	2017	\$	%	2018	2017	\$	%
Professional services	\$1,704	\$2,442	(738)	(30)	\$6,065	\$8,060	(1,995)	(25)
Research and development, net ..	2,321	1,739	582	33	6,840	5,442	1,398	26
Sales and marketing	788	716	72	10	2,661	3,114	(453)	(15)
General and administrative, net ..	1,193	1,197	(4)	n/m	3,840	4,120	(280)	(7)
Total	6,006	6,094	(88)	(1)	19,406	20,736	(1,330)	(6)

n/m — not meaningful

Total expenses for the quarter ended September 30, 2018 decreased by \$88, or 1%, to \$6,006, compared to \$6,094 over the comparative period in 2017. For the nine months ended September 30, 2018, expenses decreased by \$1,330, or 6%, to \$19,406, compared to \$20,736 over the comparative period in 2017. Our average full time equivalent employee headcount decreased to 175 for the quarter ended September 30, 2018 from 180 in the comparative period in 2017. Our average full time equivalent employee headcount increased to 182 for the nine months ended September 30, 2018 from 181 in the comparative period in 2017.

Professional services — Professional services expenses for the quarter ended September 30, 2018 decreased by \$738, or 30%, to 1,704, from \$2,442 for the comparative period in 2017. For the quarter ended September 30, 2018, the average full time equivalent employee headcount devoted to professional services was 42 as compared to 67 for the comparative period in 2017. During the nine months ended September 30, 2018, professional services expenses decreased by \$1,995, or 25%, to \$6,065, compared to \$8,060, over the comparative period in 2017. For the nine months ended September 30, 2018, the average full time equivalent employee headcount devoted to professional services was 51 as compared to 69 for the comparative period in 2017. The decrease in the expenses for the quarter and nine months ended September 30, 2018 as compared to prior periods is attributable to the decrease in headcount, as well as decreased the use of short term contractors.

Research and development, net — Research and development expenses for the quarter ended September 30, 2018 increased by \$582, or 33%, to \$2,321, from \$1,739 for the comparative period in 2017. For the quarter ended September 30, 2018, the average full time equivalent employee headcount devoted to research and development was 97 as compared to 75 employees over the comparative period in 2017. During the nine months ended September 30, 2018, research and development expenses increased by \$1,398, or 26%, to \$6,840, compared to \$5,442, over the comparative period in 2017. For the nine months ended September 30, 2018, the average full time equivalent employee headcount devoted to research and development was 91 as compared to 72 for the comparative period in 2017. The increase in the expense is as a result of the increase in headcount for the quarter and nine months ended September 30, 2018 compared to the same period in 2017.

Sales and marketing — Sales and marketing expenses for the quarter ended September 30, 2018 increased by \$72, or 10%, to \$788, from \$716 for the comparative period in 2017. For the quarter ended September 30, 2018, the average full time equivalent employee headcount devoted to sales and marketing remained flat at 17 as compared to the comparative period in 2017. The increase in expense is attributed to increased international travel to clients and tradeshow. During the nine months ended September 30, 2018, sales and marketing expenses decreased by \$453, or 15%, to \$2,661, compared to \$3,114, over the comparative period in 2017. For the nine months ended September 30, 2018, the average full time equivalent employee headcount devoted to sales and marketing was 17 as compared to 18 for the comparative period in 2017. The decrease in the expenses was mainly due to a decrease in variable compensation relating to revenues.

General and administrative, net — General and administrative (“G&A”) expenses for the quarter ended September 30, 2018 decreased by \$4, to \$1,193, from \$1,197 for the comparative period in 2017. For the quarter ended September 30, 2018 the average full time equivalent employee headcount devoted to general and administrative was 22 as compared to 21 for the comparative period in 2017. During the nine months ended September 30, 2018, G&A expenses decreased by \$280, or 7%, to \$3,840, compared to \$4,120, over the comparative period in 2018. For the nine months ended September 30, 2018 the average full time equivalent employee headcount devoted to general and administrative was 23 as compared to 22 for the comparative period in 2017. The decrease in expense was 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, which occurred in May 2017, as well as due to refund of prior years’ realty taxes with respect to the Company’s leased office premises.

Share-based payment expense

For the quarter ended September 30, 2018, share-based payment expense increased by \$37, to \$76, from \$39 recognized in the same period of 2017. Towards the end of July, 2018, the Company granted options to its officers and employees which vest over a period of three years from the date of the grant, contributing to the increase in the expense for the quarter ended September 30, 2018. During the nine months ended September 30, 2018, share-based payment expense decrease by \$22, or 12%, to \$165, from \$187 recognized in the comparative period in 2017. The decrease in the expense for the nine months ended September 30, 2018 was due to reduced number of stock options granted and as a 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 September 30, 2018, depreciation and amortization of property and equipment decreased by \$137, or 60%, to \$92, from \$229 recognized in the comparative period in 2017. During the nine months ended September 30, 2018, depreciation and amortization of property and equipment decreased by \$411, or 59%, to \$284, from \$695 for the comparative period in 2017. The decrease is primarily due to the declining balance method of depreciation used by the Company in that as the net book value reduces, in the absence of any significant additions, the depreciation expense is expected to reduce over the life of the asset.

Lease-exit charges, net

For the quarter and nine months ended September 30, 2018, the Company recorded lease-exit charges of \$nil and \$103 under general and administrative pertaining to exit of portion of the leased office premises, which occurred in the first quarter of 2018. During the quarter ended March 31, 2018, the Company negotiated a sub-lease arrangement with a third party and executed the legal agreement to sub-lease effective April 1, 2018. The Company recognized a liability for the discounted future lease payments to which the Company is committed to, less estimated future sublease income, in the amount of \$103 which was recorded as at March 31, 2018.

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 condensed interim statements of comprehensive 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, the Company elected to change the settlement method from cash to equity. 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 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.

On June 20, 2018, the Company issued 109,224 DSUs to the directors representing their annual remuneration for the fiscal 2018 and recorded a deferred share unit expense of \$225 with credit to contributed surplus for the quarter ended June 30, 2018.

Restructuring costs

In May 2018, the Company executed a restructuring plan whereby certain employees of the Company were severed. For the three and nine months ended September 30, 2018, a total of \$331 was recorded as restructuring costs, which relates primarily to employee severance costs. During the three and nine months ended September 30, 2018, the Company paid \$65 and \$145, respectively, in restructuring costs. The remaining amount of \$186 recorded under accounts payable and accrued liabilities on the statements of financial position as at September 30, 2018, will be paid out within a one-year period.

Foreign exchange loss (gain)

For the quarter ended September 30, 2018, our foreign exchange loss was \$171 compared to a foreign exchange loss of \$517 for the comparative period in 2017. For the nine months ended September 30, 2018, our foreign exchange gain was \$239 compared to a foreign exchange loss of \$736 for the same period in 2017.

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 ended September 30, 2018 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 September 30, 2018, the U.S. dollar weakened by approximately 2% against the Canadian dollar from C\$1.3168 to C\$1.2945 and also weakened by 4% from C\$1.2977 to C\$1.2480 for the comparative period in 2017. The Australian dollar weakened by approximately 4% against the Canadian dollar from C\$0.9733 to C\$0.9356 in the third quarter of 2018 and also weakened by approximately 2% from C\$0.9968 to C\$0.9783 for the comparative period in 2017.

For the nine months ended September 30, 2018, the US dollar strengthened by approximately 3% against the Canadian dollar from C\$1.2545 to C\$1.2945 as compared to weakening by 7% from C\$1.3427 to C\$1.2480 for the comparative period in 2017. This was offset by the weakening of the Australian dollar against the Canadian dollar from C\$0.9801 to C\$0.9356 in the nine months ended September 30, 2018 as compared to strengthening from C\$0.9707 to C\$0.9783 for the comparative period in 2017.

As at September 30, 2018, U.S. dollar denominated net monetary assets were US\$4,805 as compared to US\$8,523, as at September 30, 2017. As at September 30, 2018, Australian dollar denominated net monetary assets were AU\$343 as compared to AU\$1,791 as at September 30, 2017.

Finance income

For the quarter ended September 30, 2018, finance income increased by 30%, to \$30, from \$23 recognized in the comparative period in 2017. During the nine months ended September 30, 2018, finance income increased by 84%, to \$107, from \$58 recognized in the comparative period in 2017. The increase for the quarter and nine months ended September 30, 2018 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 period in 2017. We maintain excess cash in various bank accounts and in highly liquid instruments with low yield and low risk with short-term maturities.

Net loss

We reported a net loss of \$995, or \$(0.05) per share (basic and diluted), for the quarter ended September 30, 2018 compared to net loss of \$1,153, or \$(0.06) per share (basic and diluted) for the comparative period in 2017. For the nine months ended September 30, 2018, we reported a net loss of \$3,906, or \$(0.19) per share (basic and diluted), compared to a net loss of \$1,241, or \$(0.06) per share (basic and diluted), for the comparative period in 2017.

Adjusted EBITDA

Adjusted EBITDA loss for the quarter ended September 30, 2018 increased by \$295, to a loss of \$686, or \$(0.03) per share (basic and diluted) as compared to an Adjusted EBITDA loss of \$391, or \$(0.02) per share (basic and diluted), in the comparative period in 2017. For the nine months ended September 30, 2018, Adjusted EBITDA decreased by \$3,663, to a loss of \$3,144, or \$(0.15) per share (basic and diluted), as compared to a profit of \$519, or \$0.03 per share (basic and diluted), for the comparative period in 2017. 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		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Total revenue	\$5,320	\$5,703	\$16,262	\$21,255
Net loss	\$(995)	\$(1,153)	\$(3,906)	\$(1,241)
Add back (deduct):				
Share-based payment expense	76	39	165	187
Depreciation and amortization	92	229	284	695
Lease-exit charges, net	—	—	103	
Deferred share unit expense	—	—	225	200
Restructuring costs	—	—	331	
Foreign exchange loss (gain).....	171	517	(239)	736
Finance income.....	(30)	(23)	(107)	(58)
Adjusted EBITDA	(686)	(391)	(3,144)	519
Adjusted EBITDA margin	(13)%	(7)%	(19)%	2%

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 September 30, 2018. 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							
	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
	(In thousands of dollars, except share and per share figures) (Unaudited)							
Revenue.....	\$5,320	\$5,042	\$5,900	\$6,247	\$5,703	\$6,736	\$8,816	\$9,576
Net income (loss).....	(955)	(1,928)	(983)	(689)	(1,153)	(415)	327	1,950
Weighted average number of shares outstanding (000's):								
Basic	20,586	20,535	20,532	20,570	20,626	20,202	20,052	20,048
Diluted	20,586	20,535	20,532	20,570	20,626	20,202	21,270	20,761
Net income (loss) per share:								
Basic	\$ (0.05)	\$ (0.09)	\$ (0.05)	\$ (0.03)	\$ (0.06)	\$ (0.02)	\$ 0.02	\$ 0.10
Diluted	\$ (0.05)	\$ (0.09)	\$ (0.05)	\$ (0.03)	\$ (0.06)	\$ (0.02)	\$ 0.02	\$ 0.09

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 September 30, 2018, we held cash and cash equivalents of \$11,816. 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)	Nine months ended	
	September 30,	
	2018	2017
Net cash flows from (used in) operating activities	\$ (2,584)	\$ 2,520
Net cash flows used in financing activities	(435)	(441)
Net cash flows from (used in) investing activities.....	31	(225)
Effect of exchange rate changes on cash and cash equivalents	20	(11)
Increase (decrease) in cash and cash equivalents	(2,968)	1,843
Beginning cash and cash equivalents	14,784	14,678
Ending cash and cash equivalents	11,816	16,521

Net cash flows used in operating activities

We used cash of \$2,584 in operating activities for the nine months ended September 30, 2018. We generated cash of \$744 attributable to movements in non-cash working capital with change arising from decrease in accounts payable and accrued liabilities, offset by an increase in deferred revenue, a decrease in accounts receivable and prepaid expenses and other assets. This was further offset by \$3,328 of cash used in operating activities.

We generated cash of \$2,520 in operating activities for the nine months ended September 30, 2017. Of the cash generated, \$2,726 is attributable to movements in non-cash working capital with a significant change arising from a decrease in accounts receivable, partially offset by an increase in prepaid expenses and other assets, a decrease in deferred revenue and a decrease in accounts payable and accrued liabilities period over period. This was further offset by \$206 of cash generated from the remainder of the operating activities.

Net cash flows used in financing activities

For the nine months ended September 30, 2018, net cash used in financing activities was \$435. This consisted of repayment of share purchase loans of \$24 offset by the repurchase of common shares of \$117, payment of finance lease for computer equipment of \$111, cost of exercise of stock options of \$26 and cost of exercise of deferred share units of \$205.

For the nine months ended September 30, 2017, net cash flows used in financing activities was \$441. This consisted of proceeds from exercise of stock options of \$86 offset by the repurchase of common shares of \$416 and payment of finance lease for computer hardware of \$111.

The Company has had a Normal Course Issuer Bid ("NCIB") in place in 2016, 2017 and 2018 and has repurchased its common shares through the NCIB. For each of the NCIB in 2016, 2017 and 2018 approved by the Toronto Stock Exchange ("TSX") in the 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 nine months ended September 30, 2018, the Company repurchased and cancelled 41,628 of its common shares through trades on the TSX for an aggregate purchase price of \$117, which was recorded as a reduction of share capital.

During the nine months ended September 30, 2017, the Company repurchased and cancelled 118,092 of its common shares through trades on the TSX for an aggregate purchase price of \$416, which was recorded as a reduction of share capital.

Net cash flows from (used in) investing activities

For the nine months ended September 30, 2018, net cash generated in investing activities was \$31, which consisted of interest received of \$106, offset by the purchase of property and equipment of \$75.

For the nine months ended September 30, 2017, net cash used in investing activities was \$225, which consisted of interest received of \$58, offset by the purchase of property and equipment of \$283.

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.

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 completed plan of arrangement in 2016 between the Company, NexJ Health Inc. and NexJ Health Holdings Inc., the Company entered into an interim loan agreement 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 June 30, 2016. 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. as at December 31, 2016 and concluded that it is impaired and recorded a provision of \$994 in the statements of comprehensive income (loss) for the year ended December 31, 2016. During the quarter and nine months ended September 30, 2018, no further advances were made to NexJ Health Inc. and the loan continues to be impaired as at September 30, 2018.

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. 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 fiscal year ended December 31, 2016.

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.

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 \$79 (2017 - \$103) and \$301 (2017 - \$313) for the quarter and nine months ended September 30, 2018, respectively. 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 \$1,149 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 September 30, 2018.....	3	65%
Nine months ended September 30, 2018	4	68%
Quarter ended September 30, 2017.....	3	62%
Nine months ended September 30, 2017	4	77%
	Accounts Receivable	
	Number of customers	% of total
As at September 30, 2018.....	3	81%
As at December 31, 2017.....	4	74%

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.

Recently Adopted Accounting Pronouncements

Effective January 1, 2018, the Company adopted the following new standards and amendments to IFRS:

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 adoption of this amendment did not have a material impact on the condensed interim financial statements.

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

IFRS 9 replaced IAS 39, Financial Instruments - Recognition and Measurement, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial assets as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39.

All financial assets that are within the scope of IFRS 9 are required to be measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The new standard also included a new expected credit loss model for calculating impairment on financial assets, replacing the incurred loss model under IAS 39. The new impairment model applies to financial assets at amortized cost and contract assets. IFRS 9 also introduced new hedge accounting requirements

aligning more closely with an entity's risk management objectives and strategies. The Company adopted this standard effective January 1, 2018 and it did not have any material impact on the condensed interim financial statements.

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

The Company has adopted IFRS 15, effective January 1, 2018, utilizing the cumulative effect method applying to the contracts that were not completed contracts at January 1, 2018. Under this method, the Company has recognized the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of deficit as at January 1, 2018 without restating the comparative information which continues to be reported under IAS 18 and IAS 11. The Company reviewed its sources of revenue and the contracts that were not completed at January 1, 2018 using the guidance found in IFRS 15 and determined there are no material changes to the timing and measurement of the Company's revenue in the reporting period, as compared to the provisions of the previous standard. However, the adoption has impacted the accounting for contract acquisition costs as well as requiring expanded disclosure on revenue, performance obligations and contract balances. The adjustment to the opening balance of deficit as at January 1, 2018 related to incremental commissions paid to employees for customer contracts which are capitalized as contract costs and are amortized over the pattern of transfer of the related performance obligation within the customer contract.

Recent Accounting Pronouncements

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.

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 October 25, 2018, 21,110,075 Common Shares were issued and outstanding. In addition, as of September 30, 2018, there were 1,971,840 stock options outstanding with exercise prices ranging from \$1.23 to \$4.50 per share.

As at September 30, 2018, there were 361,712 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 September 30, 2018, 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 September 30, 2018, 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 ended September 30, 2018 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 Systems is a provider of Intelligent Customer Management solutions for the financial services industry. Individually, NexJ's award winning products use artificial intelligence to improve customer service and increase advisor and banker productivity. Together, the Intelligent Customer Management suite delivers a continuously-learning, cognitive application that recommends the right intelligence-augmented actions for users to deliver personalized customer service at scale and grow their business.

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, October 25, 2018. A replay of the call will be available beginning October 25, 2018 at 8:00 p.m. ET through 11:59 p.m. ET on November 1, 2018 and can be accessed by dialing 1-888-390-0541 and using password 405716.

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