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, 2018 and 2017, 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 14, 2019, 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 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, 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 Systems is the pioneer of Intelligent Customer Management. Our award-winning CRM is designed to help financial services firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and increase revenue. NexJ products are designed to address the needs of several vertical markets within the financial services industry, and include:

- NexJ CRM for Wealth Management
- NexJ CRM for Private Banking
- NexJ CRM for Commercial Banking
- NexJ CRM for Corporate Banking
- NexJ CRM for Sales, Trading and Research
- NexJ CRM for Insurance

All NexJ products are delivered on NexJ's Intelligent Customer Management (ICM) Platform that contains all of the tools required to meet the needs of our customers including:

- Artificial Intelligence Services, designed to leverage data to provide actionable recommendations and equip firms to deliver valuable insights to their clients.
- Relationship Management Services, developed to help firms break down complex relationship dynamics and equip them to drive revenue and enhance the client experience.
- Process Management Services, designed to automate and integrate complex processes and equip firms to drive optimization and efficiency.
- Data Management Services, built to integrate all of client data across the firm into a single view and equip firms to provide data-first solutions.

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.

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, 2018 and 2017 and for the fiscal years ended December 31, 2018, 2017 and 2016 has been derived from the Company's audited financial statements.

	Year ended December 31,		
	2018	2017	2016
	(In thousands of dollars, except per share amounts)		
Statements of Comprehensive Income (Loss)			
Revenue	$ 22,434	$ 27,502	$ 33,521
Operating Expenses			
Professional services	7,773	10,517	11,850
Research and development, net	9,269	7,418	7,693
Sales and marketing	3,627	4,180	4,876
General and administrative, net	6,066	6,697	6,693
Restructuring costs	402	—	—
Impairment of loan receivable and shared services	—	—	1,630
Total Operating Expenses	27,137	28,812	32,742
Income (loss) from operations	(4,703)	(1,310)	779
Foreign exchange gain (loss)	667	(715)	(270)
Finance income	145	95	77
Income (loss) before income taxes	(3,891)	(1,930)	586
Income taxes	—	—	—
Income (loss) from continuing operations	(3,891)	(1,930)	586
Income (loss) from discontinued operation	—	—	(252)
Net income (loss) and comprehensive income (loss)	(3,891)	$ (1,930)	$ 334
Net earnings (loss) per share			
Basic and diluted from continuing operations	$ (0.19)	$ (0.09)	$ 0.03
Basic and diluted from discontinued operation	$ —	$ —	$ (0.01)
Basic and diluted	$ (0.19)	$ (0.09)	$ 0.02
Weighted average number of Common Shares outstanding (000's)			
Basic	20,546	20,364	20,206
Diluted	20,546	20,364	20,697

Results of Operations

The following table sets forth a summary of our results of operations for the quarters and fiscal years ended December 31, 2018 and 2017:

(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	
	2018	2017	$	%	2018	2017	$	%
Revenue	6,172	$6,247	(75)	(1)	$22,434	$27,502	(5,068)	(18)
Expenses								
Professional services (1)	1,675	2,401	(726)	(30)	7,740	10,461	(2,721)	(26)
Research and development, net (2)	2,385	1,895	490	26	9,225	7,337	1,888	26
Sales and marketing (3)	960	1,053	(93)	(9)	3,621	4,167	(546)	(13)
General and administrative, net (4)	1,322	1,390	(68)	(5)	5,162	5,510	(348)	(6)
Total Expenses	6,342	6,739	(397)	(6)	25,748	27,475	(1,727)	(6)
Adjusted EBITDA	**(170)**	**(492)**	**322**	**n/m**	**(3,314)**	**27**	**(3,341)**	**n/m**
Share-based payment expense	121	30	91	n/m	286	217	69	32
Depreciation and amortization	89	225	(136)	(60)	373	920	(547)	(59)
Lease-exit charges, net	—	—	—	—	103	—	103	n/m
Deferred share unit expense	—	—	—	—	225	200	25	13
Restructuring costs	71	—	71	n/m	402	—	402	n/m
Foreign exchange loss (gain)	(428)	(21)	(407)	n/m	(667)	715	(1,382)	n/m
Finance income	(38)	(37)	(1)	n/m	(145)	(95)	(50)	n/m
Income (loss) before income taxes	15	(689)	704	n/m	(3,891)	(1,930)	(1,961)	n/m
Income taxes	—	—	—	—	—	—	—	—
Net income (loss)	**$15**	**$(689)**	**704**	**n/m**	**$(3,891)**	**$(1,930)**	**(1,961)**	**n/m**

n/m – not meaningful

	Quarter 2018	Quarter 2017	Year 2018	Year 2017
Weighted average number of common shares outstanding (000's)				
Basic	20,530	20,570	20,546	20,364
Diluted	20,994	20,570	20,546	20,364
Earnings (loss) per share				
Basic and diluted	$ 0.00	$ (0.03)	$ (0.19)	$ (0.09)
Adjusted EBITDA per share				
Basic and diluted	$ (0.01)	$ (0.02)	$ (0.16)	$ 0.00

(1) Professional services for the quarter and fiscal year ended December 31, 2018 exclude share-based payment expense of $18 and $33 (2017 - $7 and $56), respectively.
(2) Research and development expenses for the quarter and fiscal year ended December 31, 2018 exclude share-based payment expense of $23 and $44 (2017 - $9 and $81), respectively.
(3) Sales and marketing expenses for the quarter and fiscal year ended December 31, 2018 exclude share-based payment expense of $2 and $6 (2017 - $2 and $13), respectively.
(4) General and administrative expenses for the quarter and fiscal year ended December 31, 2018 exclude share-based payment expense of $78 and $203 (2017 - $12 and $67), respectively, depreciation and amortization of $89 and $373 (2017 - $225 and $920), 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.

Selected Statement of Financial Position Data	As at December 31, 2018	As at December 31, 2017
	(In thousands of dollars)	
	$	$
Cash and cash equivalents	10,951	14,784
Total assets	20,936	25,100
Deferred revenue	4,786	4,669
Total non-current liabilities	13	80
Total liabilities	7,551	8,185
Total shareholders' equity	13,385	16,915

Comparison of the Quarters and Fiscal Years ended December 31, 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 years ended December 31, 2018 and 2017:

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2018	2017	$	%	2018	2017	$	%
License fees	$1,612	$659	953	145	$3,329	$5,786	(2,457)	(42)
Professional services	2,257	3,314	(1,057)	(32)	10,161	13,494	(3,333)	(25)
Maintenance and support	2,303	2,274	29	1	8,944	8,222	722	9
Total	6,172	6,247	(75)	(1)	22,434	27,502	(5,068)	(18)

Total revenue for the quarter ended December 31, 2018 was $6,172, a decrease of $75, or 1%, from $6,247 recognized in the comparative period in 2017. Total revenue for the fiscal year ended December 31, 2018 was $22,434 a decrease of $5,068, or 18%, from $27,502 recognized in the comparative period in 2017. The Company had reduced active software license deployments in fiscal 2018, thereby impacting the license revenue as well as the implementation services revenue as compared to fiscal 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 report 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 December 31, 2018 increased by $953, or 145%, to $1,612, from $659 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 third quarter of 2018 as well additional software licenses purchased by an existing customer. During the fiscal year ended December 31, 2018, license revenue decreased by $2,457, or 42%, to $3,329, from $5,786 recognized in the comparative period in 2017. The license revenue recognized for the fiscal year ended December 31, 2018 was mainly generated by 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; a new arrangement with a new line of business within an existing customer entered into during the third quarter of 2018; as well as additional software licenses purchased by an existing customer. In the comparative period, for the quarter and fiscal year ended December 31, 2017, the Company recognized revenue 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 additional software licenses purchased by existing customers.

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 $1,057, or 32%, to $2,257 from $3,314 recognized in the comparative period in 2017. During the fiscal year ended December 31, 2018, professional services revenue decreased by $3,333, or 25%, to $10,161, from $13,494 for the comparative period in 2017. The Company earned professional services revenue from a new customer arrangement with a new line of business within an existing customer entered into during the third quarter of 2018 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 year ended December 31, 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 December 31, 2018 increased by $29, or 1%, to $2,303 from $2,274 for the comparative period in 2017. During the fiscal year ended December 31, 2018, maintenance and support revenue increased by $722, or 9%, to $8,944, from $8,222 for the comparative period in 2017. The increase in maintenance and support revenue for the quarter and year ended December 31, 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 2018 and 2017.

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

(In thousands of dollars)	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
United States of America	$4,787	$3,439	$15,400	$19,214
Canada	187	189	786	764
Asia Pacific	282	568	1,356	2,745
EMEA	916	2,051	4,892	4,779
Total	6,172	6,247	22,434	27,502

Deferred revenue

Deferred revenue balance at December 31, 2018 was $4,786 (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 year ended December 31, 2018.

In the fiscal year ended December 31, 2018, we recognized revenue of $4,424 that was deferred at December 31, 2017, comprised of $4,417 from maintenance and support revenue and $7 from professional services 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, 2018 and 2017:

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2018	2017	$	%	2018	2017	$	%
Professional services	1,675	2,401	(726)	(30)	7,740	10,461	(2,721)	(26)
Research and development, net	2,385	1,895	490	26	9,225	7,337	1,888	26
Sales and marketing	960	1,053	(93)	(9)	3,621	4,167	(546)	(13)
General and administrative, net	1,322	1,390	(68)	(5)	5,162	5,510	(348)	(6)
Total	6,342	6,739	(397)	(6)	25,748	27,475	(1,727)	(6)

Total expenses for the quarter ended December 31, 2018 decreased by $397, or 6%, to $6,342, compared to $6,739 over the comparative period in 2017. For the fiscal year ended December 31, 2018, expenses decreased by $1,727, or 6%, to $25,748, compared to $27,475 over the comparative period in 2017. Our average full time equivalent employee headcount decreased to 172 for the quarter ended December 31, 2018 from 186 in the comparative period in 2017. Our average fulltime equivalent employee headcount decreased to 182 for the fiscal year ended December 31, 2018 from 204 in the comparative period in 2017.

Professional services — Professional services expenses for the quarter ended December 31, 2018 decreased by $726, or 30%, to $1,675, from $2,401 for the comparative period in 2017. For the quarter ended December 31, 2018, the average full time equivalent employee headcount devoted to professional services was 40 as compared to 68 for the comparative period in 2017. During the fiscal year ended December 31, 2018, professional services expenses decreased by $2,721, or 26%, to $7,740, compared to $10,461 over the comparative period in 2017. For the fiscal year ended December 31, 2018, the average full time equivalent employee headcount devoted to professional services was 50 as compared to 80 for the comparative period in 2017. The decrease in the expenses for the quarter and year ended December 31, 2018 as compared to prior periods is attributable to the decrease in average full time equivalent headcount, as well as the decreased use of short term contractors.

Research and development, net — Research and development expenses for the quarter ended December 31, 2018 increased by $490, or 26%, to $2,385, from $1,895 for the comparative period in 2017. For the quarter ended December 31, 2018, the average full time equivalent employee headcount devoted to research and development was 92 as compared to 79 employees over the comparative period in 2017. During the fiscal year ended December 31, 2018, research and development expenses increased by $1,888, or 26%, to $9,225, compared to $7,337 over the comparative period in 2017. For the fiscal year ended December 31, 2018, the Company had an average full time equivalent employee headcount devoted to research and development of 91 as compared to 83 for the comparative period in 2017. The increase in the expense is as a result of the increase in headcount for the quarter and year ended December 31, 2018 as compared to the same period in 2017.

Sales and marketing — Sales and marketing expenses for the quarter ended December 31, 2018 decreased by $93, or 9%, to $960, from $1,053 for the comparative period in 2017. For the quarter ended December 31, 2018, the average full time equivalent employee headcount devoted to sales and marketing was 18 as compared to 17 for the comparative period in 2017. During the fiscal year ended December 31, 2018, sales and marketing expenses decreased by $546, or 13%, to $3,621, compared to $4,167 over the comparative period in 2017. For the fiscal year ended December 31, 2018, the average full time equivalent employee headcount devoted to sales and marketing was 18 as compared to 19 for the comparative period in 2017. The decrease in the expenses in both the periods is 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 December 31, 2018 decreased by $68, or 5%, to $1,322, from $1,390 for the comparative period in 2017. For the quarter ended December 31, 2018, the average fulltime equivalent employee headcount devoted to general and administrative remained steady at 22 as compared to the comparative period in 2017. During the fiscal year ended December 31, 2018, G&A expenses decreased by $348, to $5,162 compared to $5,510 over 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 December 31, 2018, share-based payment expense increased by $91, to $121 from $30 recognized in the same period of 2017. During the fiscal year ended December 31, 2018, share-based payment expense increased by $69, or 32%, to $286, from $217 recognized in the same period in 2017. In 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. The increase in the expense for the quarter and year ended December 31, 2018 was 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 December 31, 2018, depreciation and amortization of property and equipment decreased by $136, or 60%, to $89, from $225 recognized in the comparative period in 2017. During the year ended December 31, 2018, depreciation and amortization of property and equipment decreased by $547, or 59%, to $373, from $920 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 year ended December 31, 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. Previously, 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 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

During the year ended December 31, 2018, the Company executed a restructuring plan whereby certain employees of the Company were severed. For the year ended December 31, 2018, a total of $402 was recorded as restructuring costs, which relates primarily to employee severance costs. During the quarter and year ended December 31, 2018, the Company paid $77 and $222, respectively, in restructuring costs. The remaining amount of $180 recorded under accounts payable and accrued liabilities on the statements of financial position as at December 31, 2018, will be paid out within a one-year period.

Foreign exchange loss (gain)

For the quarter ended December 31, 2018, our foreign exchange gain was $428 compared to a foreign exchange gain of $21 for the comparative period in 2017. For the fiscal year ended December 31, 2018, our foreign exchange gain was $667 compared to a foreign exchange loss of $715 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 and year ended December 31, 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 December 31, 2018, the U.S. dollar strengthened by 5% against the Canadian dollar from C$1.2945 to C$1.3642 as compared to the U.S. dollar strengthening by approximately 1% from C$1.2480 to C$1.2545 for the comparative period in 2017. The Australian dollar weakened by 3% against the Canadian dollar from C$0.9356 to C$0.9616 in the fourth quarter of 2018 as compared to remaining steady against the Canadian dollar from C$0.9783 to C$0.9801 for the comparative period in 2017.

For the fiscal year ended December 31, 2018, the US dollar strengthening by 9% against the Canadian dollar from C$1.2545 to C$1.3642 as compared to weakening by 7% from C$1.3427 to C$1.2545 for the comparative period in 2017. This was further increased by the weakening of the Australian dollar by approximately 1% against the Canadian dollar from C$0.9801 to C$0.9616 in the fiscal year ended December 31, 2018 as compared to strengthening by approximately 1% from C$0.9707 to C$0.9801 for the comparative period in 2017.

As at December 31, 2018, U.S. dollar denominated net monetary assets were US$4,038 as compared to US$7,840 as at December 31, 2017. As at December 31, 2018, Australian dollar denominated net monetary assets were AU$897 as compared to AU$2,193 as at December 31, 2017.

Finance income

For the quarter ended December 31, 2018, finance income increased by $1, to $38, from $37 recognized in the comparative period in 2017. During the fiscal year ended December 31, 2018, finance income increased by $50, or 53% to $145, from $95 recognized in the comparative period in 2017. 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 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 income (loss)

We reported a net income of $15, or $0.00 per share (basic and diluted), for the quarter ended December 31, 2018 compared to net loss of $689, or $(0.03) per share (basic and diluted), for the same period in 2017. For the fiscal year ended December 31, 2018, we reported a net loss of $3,891, or $(0.19) per share (basic and diluted), compared to a net loss of $1,930, or $(0.09) per share (basic and diluted), for the same period in 2017.

Adjusted EBITDA

Adjusted EBITDA for the quarter ended December 31, 2018 was a loss of $170, or $(0.01) per share (basic and diluted) as compared to an Adjusted EBITDA loss of $492, or $(0.02) per share (basic and diluted), in the comparative period in 2017. Adjusted EBITDA margin was (3)% in the current quarter compared to (8)% in the same period in 2017. For the fiscal year ended December 31, 2018, total Adjusted EBITDA was a loss of $3,314, or $(0.16) per share (basic and diluted) as compared to an Adjusted EBITDA of $27, or $0.00 per share (basic and diluted), in 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 loss:

(In thousands of dollars, except percentages)	**Quarter ended December 31,**		**Year ended December 31,**	
	2018	**2017**	**2018**	**2017**
Total revenue	**$6,172**	**$6,247**	**$22,434**	**$27,502**
Net income (loss)	**15**	**(689)**	**(3,891)**	**(1,930)**
Add back (deduct):				
Share-based payment expense	121	30	286	217
Depreciation and amortization	89	225	373	920
Lease-exit charges, net	—	—	103	—
Deferred share unit expense	—	—	225	200
Restructuring costs	71	—	402	—
Foreign exchange loss (gain)	(428)	(21)	(667)	715
Finance income	(38)	(37)	(145)	(95)
Adjusted EBITDA	**(170)**	**(492)**	**(3,314)**	**27**
Adjusted EBITDA margin	**(3)%**	**(8)%**	**(15)%**	**0%**

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, 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							
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
	(In thousands of dollars, except share and per share figures) (Unaudited)							
Revenue	$6,172	$5,320	$5,042	$5,900	$6,247	$5,703	$6,736	$8,816
Net income (loss)	15	(995)	(1,928)	(983)	(689)	(1,153)	(415)	327
Weighted average number of shares outstanding (000`s):								
Basic	20,530	20,586	20,535	20,532	20,570	20,626	20,202	20,052
Diluted	20,994	20,586	20,535	20,532	20,570	20,626	20,202	21,270
Net income (loss) per share:								
Basic	$ 0.00	$ (0.05)	$ (0.09)	$ (0.05)	$ (0.03)	$ (0.06)	$ (0.02)	$ 0.02
Diluted	$ 0.00	$ (0.05)	$ (0.09)	$ (0.05)	(0.03)	$ (0.06)	$ (0.02)	$ 0.02

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, 2018, we held cash and cash equivalents of $10,951. 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,	
	2018	2017
Net cash flows from (used in) operating activities	$(3,503)	$1,015
Net cash flows used in financing activities	(472)	(705)
Net cash flows used in investing activities	(35)	(198)
Effect of exchange rate changes on cash and cash equivalents	177	(6)
Increase (decrease) in cash and cash equivalents	(3,833)	106
Beginning cash and cash equivalents	14,784	14,678
Ending cash and cash equivalents	10,951	14,784

Net cash flows from (used in) operating activities

We used cash of $3,503 in operating activities for the fiscal year ended December 31, 2018. Of the cash used, $258 is attributable to movements in non-cash working capital with a significant change arising from decreases in accounts payable and accrued liabilities, offset by decreases in accounts receivable, and prepaid expenses and other assets, and increases in deferred revenue, year over year, and the remainder 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.

Net cash flows used in financing activities

For the fiscal year ended December 31, 2018, net cash used in financing activities was $472. This consisted of proceeds from repayment of share purchase loans of $24, offset by the repurchase of common shares of $117, payment of finance lease for computer equipment of $148, cost of exercise of stock options of $26 and cost of exercise of deferred share units of $205.

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.

The Company has had a Normal Course Issuer Bid ("NCIB") in place in 2017, 2018 and 2019 and has repurchased its common shares through the NCIB. For each of the NCIB in 2017, 2018 and 2019 approved by the Toronto Stock Exchange ("TSX") in the prior 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, 2018, the Company repurchased and cancelled 41,628 (2017 – 203,920) of its common shares, through trades on the TSX for an aggregate purchase price of $117 (2017 - $633), which was recorded as a reduction of share capital.

Net cash flows used in investing activities

For the fiscal year ended December 31, 2018, net cash used in investing activities was $35, which consisted of interest received of $145, offset by the purchase of property and equipment of $180.

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.

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, which came into effect on January 1, 2018 and has a duration 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, 2018:

	$
Less than 1 year	805
Between 1 and 5 years	3,012
Total	3,817

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 $1,286.

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, 2018:

	$
Less than 1 year	12
Between 1 and 5 years	—
Total	12

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 year ended December 31, 2018, no further advances were made to NexJ Health Inc. and the loan continues to be impaired as at December 31, 2018.

In addition, and in accordance with the same plan of arrangement from 2016, 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 $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 would only charge for facilities and any third party costs paid on behalf of NexJ Health Inc. and, accordingly, the Company charged $442 (2017 - $401) for the year ended December 31, 2018. Outstanding receivables amounting to $141 (2017 - $88) have been recorded under prepaid expenses and other assets in the statements of financial position and are to be 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 $637 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, 2018	2	59%
Year ended December 31, 2018	4	70%
Quarter ended December 31, 2017	4	69%
Year ended December 31, 2017	4	72%

	Accounts receivable	
	Number of customers	**% of total**
As at December 31, 2018	1	84%
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, 2018 and 2017 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.

Contracts with customers often include multiple products and services which we evaluate before deciding the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement and accounted for as a separate performance obligation. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. The Company also enters into subscription based arrangements which may also include professional services.

Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each based on their relative estimated standalone selling price ("SSP").

Revenue from the license of software arrangements involving significant implementation or customization that includes sale of software that is not distinct is recognized as a combined performance obligation using the percentage-of-completion method to measure the progress to completion. The Company uses the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each such combined performance obligation. Revisions in estimates are included in the statements of comprehensive loss in the year in which changes occur in the circumstances on which the estimates were based or as a result of new information. Revenue from the license of software that is distinct is recognized upfront at the point in time when the software has been delivered to the customer and the right to use the software has commenced.

Professional services revenue involving significant implementation and customization of software, is recognized by the stage of completion of the performance obligation determined using the percentage-of-completion method noted above. Installation and integration services revenue, when considered distinct is recognized over time as the services are performed. Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the professional services revenue category. Revenue is recognized as costs are incurred.

PCS revenue is recognized rateably over the term of the support agreement based on the price charged for the same or similar PCS when sold on a stand-alone basis.

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.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable, and has determined that such costs meet the requirements to be capitalized, with the exception of the cases where the amortization period is one year or less. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer, which the Company has determined to be approximately three years. The Company does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of 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.

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 Company adopted this amendment effective January 1, 2018 and it did not have any material impact on the 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 its 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.

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 14, 2019, 21,110,693 Common Shares were issued and outstanding. In addition, as of December 31, 2018, there were 1,950,965 stock options outstanding with exercise prices ranging from $1.23 to $4.50 per share.

As at December 31, 2018, there were 361,712 deferred share units ("DSUs") outstanding under the Company's deferred share unit plan for 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, 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 December 31, 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 and fiscal year ended December 31, 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 the pioneer of Intelligent Customer Management. Our award-winning CRM is designed to help Wealth Management, Private Banking, Corporate and Commercial Banking, and Insurance firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and increase revenue. With users in over 60 countries, our customers benefit from our deep expertise across financial services verticals, strategic investment in innovation, and commitment to their success.

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 14, 2019. A replay of the call will be available beginning February 14, 2019 at 8:00 p.m. ET through 11:59 p.m. on February 21, 2019 and can be accessed by dialing 1-888-390-0541 and using password 971713 #.

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