

Condensed Interim Financial Statements  
(Expressed in Canadian dollars)

## **NEXJ SYSTEMS INC.**

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

# NEXJ SYSTEMS INC.

Condensed Interim Statements of Financial Position  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,715	\$ 5,426
Accounts receivable	1,434	3,546
Prepaid expenses and other assets	1,120	1,320
Total current assets	8,269	10,292
Non-current assets:		
Property and equipment	654	768
Right-of-use assets (note 3)	1,154	1,280
Goodwill	1,753	1,753
Investments	254	255
Contract costs (note 4)	97	51
Other assets	260	403
Total non-current assets	4,172	4,510
Total assets	\$ 12,441	\$ 14,802
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,083	\$ 1,874
Deferred revenue	3,910	5,374
Lease liabilities (note 5)	1,123	967
Total current liabilities	7,116	8,215
Non-current liabilities:		
Accrued liabilities	72	101
Deferred revenue	24	346
Lease liabilities (note 5)	377	1,078
Total non-current liabilities	473	1,525
Total liabilities	7,589	9,740
Shareholders' equity:		
Share capital	83,485	83,471
Share purchase loans	(3,598)	(3,598)
Contributed surplus (note 6)	8,723	8,664
Accumulated other comprehensive loss	(15)	(14)
Deficit	(83,743)	(83,461)
Total shareholders' equity	4,852	5,062
Total liabilities and shareholders' equity	\$ 12,441	\$ 14,802

See accompanying notes to the condensed interim financial statements.

# NEXJ SYSTEMS INC.

Condensed Interim Statements of Comprehensive Income (Loss)  
(Expressed in thousands of Canadian dollars, except per share amounts)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue:				
License and subscription fees	\$ 539	\$ 60	\$ 977	\$ 110
Professional services	1,502	2,078	4,560	5,721
Maintenance and support	1,997	2,197	6,203	6,772
	4,038	4,335	11,740	12,603
Cost of revenue	919	966	2,874	3,190
Gross profit	3,119	3,369	8,866	9,413
Expenses:				
Research and development	1,328	1,094	4,223	4,465
Sales and marketing	573	583	1,657	1,941
General and administrative	1,087	1,064	3,125	3,967
Restructuring costs (note 7)	—	—	—	960
	2,988	2,741	9,005	11,333
Income (loss) from operations	131	628	(139)	(1,920)
Foreign exchange gain (loss)	66	(60)	(84)	74
Finance income	6	2	15	45
Finance expense	(23)	(31)	(74)	(101)
	49	(89)	(143)	18
Income (loss) for the period	180	539	(282)	(1,902)
Other comprehensive income (loss):				
Items that will not be reclassified to profit or loss:				
Unrealized gain (loss) on equity securities	6	(5)	(1)	7
Income (loss) for the period and comprehensive income (loss)	\$ 186	\$ 534	\$ (283)	\$ (1,895)
Earnings (loss) per share (note 8):				
Basic and diluted	\$ 0.01	\$ 0.03	\$ (0.01)	\$ (0.09)
Weighted average number of common shares outstanding, in thousands (note 8):				
Basic	21,067	21,108	21,059	20,817
Diluted	21,105	21,108	21,059	20,817

See accompanying notes to the condensed interim financial statements.

# NEXJ SYSTEMS INC.

Condensed Interim Statements of Changes in Shareholders' Equity  
(Expressed in thousands of Canadian dollars and thousands of common shares)  
(Unaudited)

Nine months ended September 30, 2021	Common shares Number*	Amount	Share purchase loans*	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total share- holders' equity
Balance, January 1, 2021	20,384	\$ 83,471	\$ (3,598)	\$ 8,664	\$ (14)	\$ (83,461)	\$ 5,062
Comprehensive loss	—	—	—	—	(1)	(282)	(283)
Share-based payment expense (note 6(a))	—	—	—	64	—	—	64
Exercise of stock options	21	14	—	(5)	—	—	9
Balance, September 30, 2021	20,405	\$ 83,485	\$ (3,598)	\$ 8,723	\$ (15)	\$ (83,743)	\$ 4,852

\*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At September 30, 2021, 942 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total outstanding common shares of 21,327.

Nine months ended September 30, 2020	Common shares Number*	Amount	Share purchase loans*	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total share- holders' equity
Balance, January 1, 2020	20,164	\$ 82,915	\$ (3,598)	\$ 8,874	\$ (9)	\$ (81,976)	\$ 6,206
Comprehensive income (loss)	—	—	—	—	7	(1,902)	(1,895)
Share-based payment expense (note 6(a))	—	—	—	184	—	—	184
Modification of deferred share unit awards (note 6(b))	—	—	—	(26)	—	—	(26)
Deferred share unit expense (note 6(b))	—	—	—	244	—	—	244
Balance, September 30, 2020	20,164	\$ 82,915	\$ (3,598)	\$ 9,276	\$ (2)	\$ (83,878)	\$ 4,713

\*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At September 30, 2020, 942 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total outstanding common shares of 21,106.

See accompanying notes to the condensed interim financial statements.

# NEXJ SYSTEMS INC.

Condensed Interim Statements of Cash Flows  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	Nine months ended September 30,	
	2021	2020
Cash flows from (used in) operating activities:		
Loss for the period	\$ (282)	\$ (1,902)
Adjustments for:		
Depreciation and amortization of property and equipment	156	219
Depreciation of right-of-use assets	515	431
Changes in contract costs	(46)	72
Share-based payment expense	64	184
Deferred share unit expense (note 6(b))	—	218
Finance income	(15)	(45)
Finance expense	74	101
Foreign exchange loss	22	90
Change in non-cash operating working capital:		
Accounts receivable	2,112	2,499
Prepaid expenses and other assets	184	415
Accounts payable and accrued liabilities	171	880
Deferred revenue	(1,793)	(1,864)
Net cash flows from operating activities	1,162	1,298
Cash flows from (used in) financing activities:		
Payment of lease liability	(839)	(586)
Interest paid	(4)	—
Proceeds from exercise of stock options	9	—
Net cash flows used in financing activities	(834)	(586)
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(32)	(84)
Interest received	15	45
Net cash flows used in investing activities	(17)	(39)
Effects of exchange rates on cash and cash equivalents	(22)	(90)
Increase in cash and cash equivalents	289	583
Cash and cash equivalents, beginning of period	5,426	5,123
Cash and cash equivalents, end of period	\$ 5,715	\$ 5,706
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid	\$ 10	\$ —

See accompanying notes to the condensed interim financial statements.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements

(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020

(Unaudited)

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## 1. Reporting entity:

NexJ Systems Inc. (the "Company") is incorporated in Canada with its corporate headquarters located at 10 York Mills Road, Suite 700, Toronto, Ontario M2P 2G4.

The Company is a provider of intelligent customer management solutions to the financial services industry.

## 2. Basis of preparation:

### (a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard ("IAS") 34, Interim Financial Reporting and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies as described in the Company's December 31, 2020 financial statements. The notes presented in these condensed interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed interim financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the years ended December 31, 2020 and 2019.

These condensed interim financial statements were approved by the Board of Directors on October 28, 2021.

### (b) Basis of presentation:

These condensed interim financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 3. Right-of-use assets:

The following table presents the right-of-use assets for the Company:

	Head lease	Offices subleases	Computer hardware	Total right-of-use assets
Balance, beginning of period	\$ 1,537	\$ (257)	\$ –	\$ 1,280
Additions	–	–	224	224
Depreciation	(577)	92	(30)	(515)
Cancellation of sub-lease terms	–	165	–	165
Balance, end of period	\$ 960	\$ –	\$ 194	\$ 1,154

Depreciation of the computer hardware right-of-use asset is recognized using the straight line basis and the Company has estimated the useful life to be five years.

On July 2, 2021, the sub-lessee exercised its right to cancel the sub-lease, with the sub-lease ending on August 31, 2021 (refer to note 9).

During the three and nine months ended September 30, 2021, the Company recognized \$181 and \$515 (2020 - \$146 and \$431), respectively, of depreciation expense.

## 4. Contract costs:

	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 51	\$ 136
Contract costs incurred	121	3
Amortization	(75)	(88)
Balance, end of period	\$ 97	\$ 51

Contract assets are costs incurred to obtain contracts, which primarily relate to incremental commission fees paid to certain employees as a result of obtaining client contracts for perpetual licenses and subscriptions.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
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## 4. Contract costs (continued):

These costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. For perpetual licenses, 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. For subscriptions, the amortization period is the contract duration. During the three and nine months ended September 30, 2021, amortization amounting to \$48 and \$75 (2020 - \$14 and \$75) was recognized as part of sales and marketing in the condensed interim statements of comprehensive income (loss).

## 5. Lease liabilities:

The Company's leases are for office space and the purchase of computer hardware. These leases contain no renewal options.

During the nine months ended September 30, 2021, the Company entered into a 3-year finance lease for the purchase of computer hardware in the amount of \$244. This lease is repayable in monthly payments of \$6 with imputed interest at 3.07% maturing in 2024.

The following table is a summary of the changes in the lease liability during the period:

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Balance, beginning of period	\$ 2,045
Additions	224
Interest on lease liabilities	74
Lease payments	(843)
Balance, end of period	1,500
Less current portion	1,123
Non-current portion	\$ 377

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During the three and nine months ended September 30, 2021, the Company recognized \$23 and \$74 (2020 - \$33 and \$106), respectively, of accretion expense from these leases.



# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 6. Share-based payment arrangements:

At September 30, 2021, the Company had the following share-based payment arrangements:

### (a) Stock option plan:

The total share-based payment expense and the amount credited to contributed surplus for the three and nine months ended September 30, 2021 was \$10 and \$64 (2020 - \$55 and \$184), respectively. The following table outlines the activity for stock options for the nine months ended September 30, 2021 and 2020:

	2021		2020	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	1,833	\$ 1.22	2,047	\$ 1.76
Granted	—	—	500	0.45
Exercised	(21)	0.45	—	—
Cancelled	(148)	1.43	(244)	1.54
Expired	(76)	2.37	(66)	3.67
Outstanding, end of period	1,588	1.15	2,237	1.44
Exercisable, end of period	1,215	\$ 1.33	1,387	\$ 1.74

At September 30, 2021, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding (000s)	Weighted average remaining contractual life (years)
\$0.45 - \$1.00	524	5.59
\$1.01 - \$2.00	1,043	2.15
\$2.01 - \$3.00	13	3.12
\$3.01 - \$4.00	—	—
\$4.01 - \$4.50	8	2.48
	1,588	3.30

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
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Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

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## 6. Share-based payment arrangements (continued):

### (b) Deferred share units ("DSUs"):

The Company grants DSUs to the members of the Board of Directors as their annual remuneration for the services rendered as directors on the Company's board. These DSUs are awarded as equity-settled or cash-settled, vest immediately and are settled when the board member is no longer rendering service to the Company. For cash-settled awards, the Company 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. The amount of the award payable is based on the number of units outstanding multiplied by the share price of the Company at the date of the payout.

On April 29, 2020, one director of the Board of Directors resigned from their position and effective April 30, 2020, through a resolution of the Board of Directors, the equity-settled DSUs aggregating to 57,908 DSUs pertaining to the resigning director were modified from equity-settled to cash-settled. As a result of the modification, \$26 was reversed from contributed surplus, with an offsetting credit to accrued liabilities during the nine months ended September 30, 2020. The cash-settled DSUs were settled on May 1, 2020 with a total payment of \$38. The Company remitted \$11 to Canada Revenue Agency in associated employment taxes.

On June 26, 2020, the Company issued 489,181 equity-settled DSUs to the directors representing their annual remuneration for fiscal 2020. For the nine months ended September 30, 2020, the Company recorded a DSU expense of \$244, with an offsetting credit to contributed surplus in the condensed interim statements of comprehensive income (loss).

On June 26, 2020, the Company also issued 60,819 cash-settled DSUs to the directors and recorded a DSU expense of \$31 for the nine months ended September 30, 2020 with an offsetting credit to non-current accrued liabilities on the condensed interim statements of financial position.

There have been no new DSUs awarded to the members of the Board of Directors for the three and nine months ended September 30, 2021.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 6. Share-based payment arrangements (continued):

The following table outlines the activity for the DSUs for the nine months ended September 30, 2021 and 2020:

	2021		2020	
	Number	Amount	Number	Amount
	(000s)		(000s)	
Outstanding, beginning of period	797	\$ 963	650	\$ 1,402
Granted	—	—	550	275
Exercised	—	—	(88)	(38)
Changes in fair value of cash-settled award	—	(29)	—	(25)
Changes in fair value as a result of award modification	—	—	—	(52)
Outstanding, end of period	797	\$ 934	1,112	\$ 1,562
Comprising:				
Equity-settled award	671	\$ 862	944	\$ 1,453
Cash-settled award	126	72	168	109

## 7. Restructuring:

During the year ended December 31, 2020, the Company executed a restructuring plan whereby certain employees of the Company were severed. An estimated amount of \$960 was recorded as restructuring costs for the nine months ended September 30, 2020, which related primarily to employee severance costs. During the three months ended December 31, 2020, this estimate was refined and the amount of restructuring costs was reduced to \$924. During the three and nine months ended September 30, 2021, the Company paid \$nil and \$95 (2020 - \$229 and \$696) in restructuring costs. As at September 30, 2021, there are no remaining amounts outstanding.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 8. Earnings (loss) per share:

The following table sets forth the calculation of basic and diluted loss per share:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Numerator:				
Income (loss) for the period	\$ 180	\$ 539	\$ (282)	\$ (1,902)
Denominator:				
Weighted average number of shares (in thousands):				
Basic	21,067	21,108	21,059	20,817
Diluted	21,105	21,108	21,059	20,817
Earnings (loss) per share:				
Basic and diluted	\$ 0.01	\$ 0.03	\$ (0.01)	\$ (0.09)

During the three and nine months ended September 30, 2021, there were nil and 33 (2020 - nil and nil) weighted average outstanding stock options excluded from the computation of diluted loss per share.

## 9. Related party transactions:

Shared services agreement:

On June 24, 2020, the Company, NexJ Health Inc. and NexJ Health Holdings Inc. entered into a separation agreement effective June 15, 2020, terminating the interim loan agreement, the shared services agreement as well as the software license agreements between the three parties. As per the terms of separation, the Company wrote off \$994 related to the interim loan and \$636 shared services balances. As noted above, both of these amounts were provided for in the condensed statements of comprehensive loss for the year ended December 31, 2016.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

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## 9. Related party transactions (continued):

The sublease agreement between the Company and NexJ Health Inc., effective January 1, 2019 continued to be in place for the sublease of the office space occupied by NexJ Health Inc. The Company classifies the sublease in accordance with the provisions of IFRS 16, Leases, and consequently has derecognized the right-of-use asset and lease receivable relating to the sublease. Right-of-use asset has been measured based on lease payments to be received, discounted using the Company's incremental borrowing rate. On July 2, 2021, NexJ Health Inc. exercised its right to cancel the sub-lease, with the sub-lease ending on August 31, 2021. The termination of the sublease agreement has been recorded as a modification in accordance with the provisions of IFRS 16, Leases.

As part of the separation agreement, the parties also agreed on a payment schedule with respect to the shared services amounts due up to the shared services termination date of June 30, 2020 and the ongoing obligations of NexJ Health Inc. under the continuing sublease agreement.

The Company charged \$58 and \$231 (2020 - \$77 and \$248) for the three and nine months ended September 30, 2021, respectively. During the three and nine months ended September 30, 2021, the Company has received payment of \$nil and \$225 (2020 - \$211 and \$426), respectively, from NexJ Health Inc. As at September 30, 2021, the remaining balance of \$334 is recorded under prepaid expenses and other assets in the condensed interim statements of financial position.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 10. Financial instruments and capital management:

### (a) Classification and fair values of financial instruments:

The following table sets out the Company's classification and carrying amount, together with the fair value, for each type of financial asset and financial liability as at September 30, 2021 and December 31, 2020:

Classification	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Amortized cost:				
Cash equivalents	\$ 812	\$ 812	\$ 986	\$ 986
Accounts receivable	1,434	1,434	3,546	3,546
FVTOCI:				
Investments	254	254	255	255
Financial liabilities:				
Amortized cost:				
Accounts payable and accrued liabilities	2,155	2,155	1,975	1,975
Lease liabilities	1,500	1,500	2,045	2,045

The carrying values of cash equivalents, accounts receivable, accounts payable and accrued liabilities and lease liabilities approximate their fair values due to the nature of these financial instruments.

### Fair value measurements:

The Company, when applicable, provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 10. Financial instruments and capital management (continued):

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. Financial assets and financial liabilities measured at fair value as at September 30, 2021 and December 31, 2020 in the condensed interim financial statements are summarized below:

September 30, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	\$ 812	\$ –	\$ –	\$ 812
Investments	–	–	254	254

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	\$ 986	\$ –	\$ –	\$ 986
Investments	–	–	255	255

There were no transfers of financial assets and financial liabilities during the periods between any of the levels.

### (b) Market risk:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of these risks as at September 30, 2021:

#### (i) Credit risk:

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

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 10. Financial instruments and capital management (continued):

The Company's credit risk is primarily attributable to its accounts receivable. The Company's customers are generally large financially established organizations which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

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 the Company's total revenue and accounts receivable:

	Revenue	
	Number of customers	% of total
Three months ended September 30, 2021	3	58
Nine months ended September 30, 2021	3	58
Three months ended September 30, 2020	3	65
Nine months ended September 30, 2020	4	73

	Accounts receivable	
	Number of customers	% of total
As at September 30, 2021	3	72
As at December 31, 2020	2	77

### (ii) Liquidity risk:

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and the issuance of equity. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that the Company has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.



# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

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## 10. Financial instruments and capital management (continued):

The majority of the Company's financial liabilities comprise accounts payable and accrued liabilities. Given the Company's available cash and other liquid resources as compared to its liabilities, management assesses the Company's liquidity risk to be low.

### (iii) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and Australian dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future. The Company has foreign currency exposure with respect to cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars and Australian dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars and Australian dollars. During the three and nine months ended September 30, 2021, the Company recorded a foreign exchange gain of \$66 and loss of \$84 (2020 - loss of \$60 and gain of \$74), respectively. At September 30, 2021, U.S. dollar-denominated net monetary assets totalled approximately U.S. \$2,944 (2020 - U.S. \$3,309). At September 30, 2021, Australian dollar-denominated net monetary assets totalled approximately AUD \$605 (2020 - AUD \$179).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately \$429 due to the fluctuation and this would be recorded in the condensed interim statements of comprehensive income (loss).

### (iv) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash equivalents. The impact of change in interest rates is not expected to be significant.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

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## 10. Financial instruments and capital management (continued):

### (c) Capital management:

The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus and deficit.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its 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 its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the up-front cost of taking on new customers.

The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process. The Company manages its 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 shareholders' equity. The Company does not have any externally imposed capital requirements.

# NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)  
(Expressed in thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2021 and 2020  
(Unaudited)

## 11. Segment reporting:

The Company has determined that it operates as a single reportable operating segment for purposes of making operating decisions and assessing performance. The Company's Chief Executive Officer, the chief operating decision maker, evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the segmented reporting in these condensed interim financial statements. The Company's revenue by geographic areas is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Americas	\$ 2,973	\$ 2,908	\$ 8,590	\$ 8,869
EMEA	395	1,162	1,890	2,755
Asia Pacific	670	265	1,260	979
	\$ 4,038	\$ 4,335	\$ 11,740	\$ 12,603

Virtually all of the Company's assets are located in Canada and virtually all of the Company's expenses are incurred in Canada.