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 year ended December 31, 2021 and 2020, 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 March 8, 2022, 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 ability to identify opportunities that contributes to its revenue growth;*
- *the Company's expectations with respect to advancement in its technologies, including the ability to address trends in artificial intelligence;*
- *growth in the financial services vertical, including spend on CRM, and the Company's growth potential in its addressable market;*
- *the Company's intention to introduce a new product that will allow the Company to target small enterprise wealth management firms as customers;*

- *the Company's international opportunities for growth;*
- *improvement in the Company's ability to win business by expanding beyond the Company's initial target market;*
- *market trends;*
- *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;*
- *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.

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, deferred share unit expense, restructuring costs, foreign exchange (gain) loss, finance income, finance costs and income taxes. We believe that the items excluded from Adjusted EBITDA are not connected to and does not represent the operating performance of the Company. "Adjusted EBITDA margin" refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

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

We believe that Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are useful supplemental information as they provide an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed as well as expenses related to share-based payment expense, 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 provides Intelligent Customer Management solutions to the financial services industry. Our award-winning financial services productivity software is designed to help firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and help drive increased revenues. NexJ products are designed to address the needs of several sub-vertical markets within the financial services industry, and include advisor and relationship manager solutions for:

- Wealth Management
- Private Banking
- Commercial Banking
- Corporate Banking

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 client data across the firm into a single view and equip firms to provide data-first solutions.

Our revenue consists primarily of subscription-based software license fees, professional service fees, and maintenance and support fees derived from previous year's perpetual license sales. NexJ's solutions can be deployed to suit the customers needs from fully managed private cloud service to on premise to accommodate specific geographies where regulatory, privacy or data residency are of specific concern. All products are priced and sold on a subscription license basis irrespective of the mode of deployment and includes standard support that is included within the subscription fee. Maintenance and support generally includes ongoing customer support and the rights to certain product updates as they become available. Software license subscription fees are typically payable annually, in advance and provide the customer with the right to use the software while the customer remains compliant with the terms of use. Professional services revenue consists of fees charged for configuration, implementation, integration, data migration and ongoing services associated with our software products. Maintenance and support revenue consists of fees charged for post-delivery customer support on our legacy software products that were sold as a perpetual license.

Cost of revenue consists of personnel, travel and other overhead costs related to implementation teams supporting initial deployments and subsequent engagements for additional services revenue on customer projects as well as hosting costs. Cost of revenue also includes personnel and overhead costs associated with our customer support team responsible for servicing the maintenance and support revenue earned from customers.

Research and development expenses include personnel and related costs for ongoing research, development and product management efforts.

Sales and marketing expenses consist primarily of personnel and related costs for our sales and marketing functions, including salaries and benefits, contract acquisition costs including commissions earned by sales personnel, direct marketing campaigns, webinars, public relations and other promotional activities.

General and administrative expenses consist primarily of personnel and related costs associated with the administrative functions of our business including finance, human resources and internal information system support as well as legal, accounting, other professional fees, occupancy costs and insurance.

On September 10, 2019, NexJ announced that in recognition of the demand within the financial services market for intelligent customer management solutions, and in support of the launch of its cloud-based solutions and Machine Learning initiatives, the Company's Board of Directors has initiated a review of strategic and financial alternatives to accelerate scale and enhance shareholder value. The Company has appointed a Special Committee to review and consider alternatives which may include, among others, recapitalization, joint ventures, strategic partnerships or alliances or other possible transactions.

It should be noted that the Company has not set a definitive schedule to complete its evaluation and no decision on any particular transaction or alternative has been reached at this time. Equally, there is no certainty that any transaction or alternative will be undertaken or pursued.

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, 2021 and 2020 and for the fiscal years ended December 31, 2021, 2020 and 2019 has been derived from the Company's audited financial statements.

	Year ended December 31,		
	2021	2020	2019
	(In thousands of dollars, except per share amounts)		
Statements of Comprehensive Income (Loss)			
Revenue	$ 15,333	$ 16,850	$ 17,228
Cost of revenue	3,586	4,116	6,281
Gross profit	11,747	12,734	10,947
Operating expenses			
Research and development	5,357	5,556	9,171
Sales and marketing	2,148	2,551	3,188
General and administrative	4,417	4,943	5,341
Restructuring costs	—	924	614
Total operating expenses	11,922	13,974	18,314
Loss from operations	(175)	(1,240)	(7,367)
Foreign exchange loss	(220)	(148)	(296)
Finance income	20	47	120
Finance expense	(93)	(144)	(145)
Loss before income taxes	(468)	(1,485)	(7,688)
Income taxes	—	—	—
Net loss from operations	(468)	(1,485)	(7,688)
Other comprehensive income (loss)			
Unrealized loss on equity securities	—	(5)	(9)
Realized gain on equity securities	765	—	—
Net income (loss) and comprehensive income (loss)	297	(1,490)	(7,697)
Net loss per share			
Basic and diluted	$ (0.02)	$ (0.07)	$ (0.37)
Weighted average number of Common Shares outstanding (000's)			
Basic and diluted	21,064	20,888	20,575

Results of Operations

The following table sets forth a summary of our results of operations for the quarters and fiscal years ended December 31, 2021 and 2020:

(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	
	2021	2020	$	%	2021	2020	$	%
Revenue	$3,593	$4,247	(654)	(15)	$15,333	$16,850	(1,517)	(9)
Cost of revenue (1)	711	921	(210)	(23)	3,588	4,082	(494)	(12)
Gross profit	2,882	3,326	(444)	(13)	11,745	12,768	(1,023)	(8)
Operating Expenses								
Research and development (2)	1,132	1,082	50	5	5,342	5,514	(172)	(3)
Sales and marketing (3)	491	610	(119)	(20)	2,145	2,543	(398)	(16)
General and administrative (4)	1,034	798	236	30	3,437	3,726	(289)	(8)
Total operating expenses	2,657	2,490	167	7	10,924	11,783	(859)	(7)
Adjusted EBITDA	225	836	(611)	(73)	821	985	(164)	(17)
Share-based payment expense	12	(20)	32	n/m	76	164	(88)	(54)
Depreciation and amortization	249	212	37	17	920	862	58	7
Deferred share unit expense	—	—	—	n/m	—	275	(275)	n/m
Restructuring costs	—	(36)	36	n/m	—	924	(924)	n/m
Foreign exchange loss	136	222	(86)	(39)	220	148	72	49
Finance income	(5)	(2)	(3)	150	(20)	(47)	27	(57)
Finance expense	19	43	(24)	(56)	93	144	(51)	(35)
Income (loss) before income taxes	(186)	417	(603)	(145)	(468)	(1,485)	1,017	68
Income taxes	—	—	—	—	—	—	—	—
Net income (loss)	**$(186)**	**$417**	**(603)**	**(145)**	**$(468)**	**$(1,485)**	**1,017**	**68**
Weighted average number of common shares outstanding (000's)								
Basic	21,076	21,100			21,064	20,888		
Diluted	21,076	21,100			21,064	20,888		
Net loss per share								
Basic and diluted	$(0.01)	$ 0.02			$(0.02)	$(0.07)		
Adjusted EBITDA per share								
Basic and diluted	$ 0.01	$ 0.04			$ 0.04	$ 0.05		

n/m — not meaningful

(1) Cost of revenue for the quarter and fiscal year ended December 31, 2021 exclude share-based payment expense of $1 and $(2) (2020 - $5 and $34) respectively.
(2) Research and development expenses for the quarter and fiscal year ended December 31, 2021 exclude share-based payment expense of $2 and $15 (2020 - $8 and $42) respectively.
(3) Sales and marketing expenses for the quarter and fiscal year ended December 31, 2021 exclude share-based payment expense of $nil and $3 (2020 - $1 and $8) respectively.
(4) General and administrative expenses for the quarter and fiscal year ended December 2021 exclude share-based payment expense of $9 and $60 (2020 - $(34) and $80) respectively, depreciation and amortization of $249 and $920 (2020 - $212 and $862) respectively, and deferred share unit expense of $nil and $nil (2020 - $nil and $275) respectively.

	As at December 31, 2021	As at December 31, 2020
	(In thousands of dollars)	
Selected Statement of Financial Position Data	$	$
Cash and cash equivalents	5,489	5,426
Total assets	15,684	14,802
Deferred revenue	6,920	5,720
Total non-current liabilities	473	1,248
Total liabilities	10,240	9,740
Total shareholders' equity	5,444	5,062

COVID-19 Operational Update

COVID-19 continues to significantly impact Canadians and economies around the world. In March, 2020, the Company took swift action by taking measures to ensure the health and safety of our team members, and to mitigate the business impact on the Company caused by the unprecedented global economic disruption.

The Company successfully adopted a mandatory work-from-home program which will continue to remain in place until such time the Company has clear guidance from government authorities with respect to this pandemic. As substantially all of the Company's day-to-day activities can be fully performed by personnel working remotely, the Company is able to remain fully operational during this period, and continues to seek new revenue opportunities, execute on its product development roadmap and generate consistent revenue from our existing customer base. The Company is in compliance with all federal, provincial and municipal regulations that have been put in place since the beginning of the pandemic. The Company will continue to monitor closely developments in this regard, with the health and safety of the Company's employees and management as the primary concern.

Due to the fluidity of the COVID-19 pandemic and the uncertainty of its magnitude, outcome and duration, the Company is unable to definitively quantify its potential impact. The Company has taken measures to manage costs, including a reduction of operating expenses.

The governments of jurisdictions in which the Company operates have approved legislation with the intent to provide aid to businesses affected by COVID-19. This included the Canada Emergency Wage Subsidy (CEWS), announced by the Government of Canada in April 2020. Subsidies have been made available to qualifying entities to offset certain expenses relating to employee wages, payroll taxes and office rent. For the quarter and year ended December 31, 2021, we determined that the Company qualified for the subsidies and submitted claims for $901 and $3,541 (2020 - $726 and $2,869), respectively, which have been received and recognized as a reduction to the related expenses in the statements of comprehensive income (loss).

Comparison of the quarters and fiscal year ended December 31, 2021 and 2020

Revenue

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the quarters and fiscal year ended December 31, 2021 and 2020:

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
License & Subscription fees	$551	$46	505	1,098	$1,528	$156	1,375	879
Professional services	1,123	2,058	(935)	(45)	5,683	7,779	(2,096)	(27)
Maintenance and support	1,919	2,143	(224)	(10)	8,122	8,915	(793)	(9)
Total	3,593	4,247	(654)	(15)	15,333	16,850	(1,517)	(9)

Total revenue for the quarter ended December 31, 2021 was $3,593, a decrease of $654, or 15%, from $4,247 recognized in the comparative period in 2020. Total revenue for the fiscal year ended December 31 was $15,333, a decrease of $1,517, or 9%, from $16,850 recognized in the comparative period in 2020. The Company acquired new customers through our partner ecosystem and generated new sales of subscription-based license revenue within the existing customer base, increasing the recurring revenue in the business, as we continue our transition to subscription-based license revenue model.

License & Subscription fees — License & subscription fees revenue for the quarter ended December 31, 2021 increased by $505, to $551, from $46 recognized in the comparative period in 2020. For the fiscal year ended December 31, 2021, license and subscription fee revenue increased by $1,375, to $1,528, from $156 recognized in the comparative period in 2020. The revenue recognized for the quarter and fiscal year ended December 31, 2021 was due to new subscription-based license revenue generated from sale of new products. The sale of new products within our customer base and acquisition of new customers through our partner ecosystem has furthered our transition to an increased allocation of license and subscription revenue as a percentage of revenue in the quarter. We believe this trend will continue going forward as we transition to a subscription-based license revenue model.

Professional services — Professional services revenue for the quarter ended December 31, 2021 decreased by $935, or 45%, to $1,123 from $2,058 recognized in the comparative period in 2020. For the fiscal year ended December 31, 2021, professional services decreased by $2,096, or 27%, to $5,683, from $7,779 recognized in the comparative period in 2020. The decrease in professional services revenue was mainly due to a decrease in ongoing 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, 2021 decreased by $224, or 10%, to $1,919 from $2,143 for the comparative period in 2020. For the fiscal year ended December 31, 2021, maintenance and support revenue decreased by $793, or 9%, to $8,122, from $8,915 for the comparative period in 2020. The decrease in maintenance and support revenue for the quarter and fiscal year ended December 31, 2021 was due to reduction in renewal, offset by increases related to additional software licenses purchased by existing customers in 2020.

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

(In thousands of dollars)	Quarter ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Americas	$2,660	$2,918	$11,250	$11,787
EMEA	303	1,047	2,193	3,802
Asia Pacific	630	282	1,890	1,261
Total	3,593	4,247	15,333	16,850

Deferred revenue

The deferred revenue balance on our balance sheet does not represent the total contract value of the customer contracts. Unbilled deferred revenue represents future billings under our customer contracts that have not been invoiced and accordingly, are not recorded in deferred revenue.

At December 31, 2021, unbilled deferred revenue was approximately $964 (December 31, 2020 - $nil).

Deferred revenue balance at December 31, 2021 was $6,920 (December 31, 2020 - $5,720), relating to software subscription, professional services arrangements and annual maintenance and support revenue.

Cost of Revenue

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
Cost of revenue	$711	$921	(210)	(23)	$3,588	$4,082	(494)	(12)
Gross profit	2,882	3,326	(444)	(13)	11,745	12,768	(1,023)	(8)
Gross profit percentage	80%	78%			77%	76%		

Cost of revenue for the quarter ended December 31, 2021 decreased by $210, or 23%, to $711, from $921 for the comparative period in 2020. For the quarter ended December 31, 2021, the average full-time equivalent employee headcount devoted to cost of revenue was 26 as compared to 31 for the comparative period in 2020. The decrease in the expense is a result of the decrease in employee headcount, offset by a decrease in the funding received under CEWS. For the fiscal year ended December 31, 2021, cost of revenue decreased by $494, or 12%, to $3,588, compared to $4,082, over the comparative period in 2020. For the fiscal year ended December 31, 2021, the average full-time equivalent employee headcount devoted to cost of revenue was, 26 as compared to 34 for the comparative period in 2020. The decrease in the expense is a result of the decrease in employee headcount, as well as the funding received under CEWS, offset by an increased use of short-term contractors.

For the quarter ended December 31, 2021, gross profit percentage was 80% from 78% as compared to the comparative period in 2020, however in terms of dollars decreased by $444, or 13%, to $2,882, from $3,326 for the comparative period in 2020. For the fiscal year ended December 31, 2021, gross profit percentage remained fairly consistent at 77% marginally higher from 76% as compared to the comparative period in 2020, however in terms of dollars decreased by $1,023, or 8%, to $11,745, compared to $12,768, over the comparative period in 2020.

Operating Expenses

The following table sets forth the breakdown of our operating expenses by category and the change for the quarters and fiscal years ended December 31, 2021 and 2020:

(In thousands of dollars, except percentages)	Quarter ended December 31,		Period-Over-Period Change		Year ended December 31,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
Research and development	$1,132	$1,082	50	5	5,342	5,514	(172)	(3)
Sales and marketing	491	610	(119)	(20)	2,145	2,543	(398)	(16)
General and administrative	1,034	798	236	30	3,437	3,726	(289)	(8)
Total	2,657	2,490	167	7	10,924	11,783	(859)	(7)

Total operating expenses for the quarter ended December 31, 2021 increased by $167, or 7%, to $2,657, compared to $2,490 over the comparative period in 2020. For the quarter ended December 31, 2021, the expenses increased as a result of an increased use in short term contractors, and the Company receiving less funding under CEWS as compared to the previous year. For the fiscal year ended December 31, 2021, total operating expenses decreased by $859, or 7%, to $10,924, compared to $11,783 over the comparative period in 2020. The expenses decreased as a result of the Company executing further optimization of its cost structure by reducing costs and driving efficiencies in the business as well as the Company received funding under CEWS.

Research and development — Research and development expenses for the quarter ended December 31, 2021 increased by $50, or 5%, to $1,132, from $1,082 for the comparative period in 2020. For the quarter ended December 31, 2021, the average full-time equivalent employee headcount devoted to research and development was 48, as compared to 59 employees over the comparative period in 2020. The increase in the expense is a result of the increased use of short-term contractors. For the fiscal year ended December 31, 2021, research and development expenses decreased by $172, or 3%, to $5,342, compared to $5,514, over the comparative period in 2020. For the fiscal year ended December 31, 2021, the average full-time equivalent employee headcount devoted to research and development was 52 as compared to 63 over the comparative period in 2020. The decrease in the expense is a result of the decrease in employee headcount, and funding received under CEWS, partially offset by the increased use of short-term contractors.

Sales and marketing — Sales and marketing expenses for the quarter ended December 31, 2021 decreased by $119 or 20%, to $491, from $610 for the comparative period in 2020. For the quarter ended December 31, 2021, the average full-time equivalent employee headcount devoted to sales and marketing was 8, as compared to 11 for the comparative period in 2020. For the fiscal year ended December 31, 2021, sales and marketing expenses decreased by $398, or 16%, to $2,145, compared to $2,543, over the comparative period in 2020. For the fiscal year ended December 31, 2021, the average full-time equivalent employee headcount devoted to sales and marketing was 10, as compared to 12 employees over the comparative period in 2020. The decrease reflects an increased focus on a blended direct and indirect sales model compared to a single direct sales channel previously employed. Additionally, the decrease in the expense for the quarter and fiscal year ended December 31, 2021 is due to the decrease of payroll expenses, and funding received under CEWS.

General and administrative — General and administrative ("G&A") expenses for the quarter ended December 31, 2021 increased by $236, or 30%, to $1,034, from $798 for the comparative period in 2020. For the quarter ended December 31, 2021, the average full-time equivalent employee headcount devoted to general and administrative was 15, as compared to 17 for the comparative period in 2020. The increase in the expense for the quarter is primarily due to the termination of a sublease for office space by NexJ Health Inc, and director remuneration expenses. For the fiscal year ended December 31, 2021, G&A expenses decreased by $289, or 8%, to $3,437, compared to $3,726, over the comparative period in 2020. For the fiscal year ended December 31, 2021 the average full-time equivalent employee headcount devoted to general and administrative was 15, as compared to 17 for the comparative period in 2020. The decrease in the expenses is due to the funding received under CEWS and Canada Emergency Rent Subsidy, as well as decrease in costs incurred in the current fiscal year to date in connection with the review of strategic and financial alternatives initiated in September 2019 as compared to the comparative period in 2020.

Share-based payment expense

For the quarter ended December 31, 2021, share-based payment expense increased by $32, to $12 from $(20) recognized in the same period of 2020. For the fiscal year ended December 31, 2021, share-based payment expense decreased by $88, to $76, from $164 recognized in the comparative period in 2020.

The increase in the expense for the quarter ended December 31, 2021 was due to a reduced expense in the comparative period in 2020 from the voluntary cancellation of certain share-based options by some of the executive officers of the Company.

The decrease in the expense for the fiscal year ended December 31, 2021 was due to 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, 2021, depreciation and amortization of property, equipment, and right-of-use asset increased by $37, to $249, from $212 recognized in the comparative period in 2020. For the fiscal year ended December 31, 2021, depreciation and amortization of property, equipment, and right-of-use asset increased by $58, to $920, from $862 in the comparative period in 2020. The increase is primarily due to the addition of right of use assets for a computer hardware lease.

Deferred share unit expense

The Company grants Deferred Share Units ("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 consolidated 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 end date of the payout.

On June 26, 2020, the Company issued 489,181 equity-settled DSUs to the directors and recorded a DSU expense of $244 with an offsetting credit to contributed surplus in the statements of comprehensive loss for the year ended December 31, 2020.

On June 26, 2020, the Company also issued 60,819 cash-settled DSUs to the directors and recorded a DSU expense of $31 with an offsetting credit to non-current accrued liabilities on the statements of financial position as at December 31, 2020.

For the fiscal year ended December 31, 2021, the Company did not issue any DSUs to the members of the Board of Directors as their annual remuneration for the services rendered as directors on the Company's board. Instead annual remuneration was approved in cash and recorded under General & Administrative expenses for the quarter and fiscal year ended December 31, 2021.

Restructuring costs

For the quarter and fiscal year ended December 31, 2021, the Company paid $nil and $95 (2020 - $129 and $825), respectively, in restructuring costs, in connection with the restructuring undertaken in the second quarter of 2020. As at December 31, 2021, there are no remaining amounts outstanding.

Foreign exchange loss

For the quarter ended December 31, 2021, our foreign exchange loss was $136 compared to a foreign exchange loss of $222 for the comparative period in 2020. For the fiscal year ended December 31, 2021, our foreign exchange loss was $220 compared to a foreign exchange loss of $148 for the comparative period in 2020.

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and the Australian dollar. The change in the foreign exchange impact during the quarter ended December 31, 2021 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, 2021, the U.S. dollar weakened marginally against the Canadian dollar from C$1.2680 to C$1.2637 as compared to the U.S. dollar weakening by approximately 4% from C$1.3319 to C$1.2725 for the comparative period in 2020. The Australian dollar strengthened marginally against the Canadian dollar from C$0.9165 to C$0.9178 as compared to strengthening by approximately 3% against the Canadian dollar from C$0.9539 to C$0.9803 for the comparative period in 2020.

For the fiscal year ended December 31, 2021, the US dollar weakened marginally against the Canadian dollar from C$1.2725 to C$1.2637 as compared to weakening by 2% from C$1.2988 to C$1.2725 for the comparative period in 2020. Additionally, the Australian dollar weakened by 6% against the Canadian dollar from C$0.9803 to C$0.9178 in the fiscal year ended December 31, 2021 as compared to strengthening by 7% against the Canadian dollar from C$0.9122 to C$0.9803 for the comparative period in 2020.

As at December 31, 2021, U.S. dollar denominated net monetary assets were US$6,376 as compared to US$5,800, as at December 31, 2020. As at December 31, 2021, Australian dollar denominated net monetary assets were AU$766 as compared to AU$237 as at December 31, 2020.

Finance income

For the quarter ended December 31, 2021, finance income increased by $3, to $5, from $2 recognized in the comparative period in 2020. For the fiscal year ended December 31, 2021, finance income decreased by $27, or 57%, to $20 from $47 recognized in the comparative period in 2020. The decrease was as a result of reduction in interest rates as well as lower average cash and cash equivalents balances. We maintain excess cash in various bank accounts and in highly liquid instruments with low yield and low risk with short-term maturities.

Finance expense

For the quarter ended December 31, 2021, finance expense decreased by $24, or 56%, to $19, from $43 recognized in the comparative period in 2020. For the fiscal year ended December 31, 2021, finance expense decreased by $51, or 35%, to $93, from $144 recognized in the comparative period in 2020. The expense represents accretion expense related to the implied interest on lease financial liabilities, associated with the lease of office space and computer hardware, net of implied interest on lease financial receivables in respect to the sublease of a portion of the leased office space.

Net income (loss)

We reported a net loss of $186, or $(0.01) per share (basic and diluted), for the quarter ended December 31, 2021 compared to net income of $417, or $0.02 per share (basic and diluted) for the comparative period in 2020. For the fiscal year ended December 31, 2021, we reported a net loss of $(468), or $(0.02) per share (basic and diluted), compared to a net loss of $(1,485), or $(0.07) per share (basic and diluted), for the comparative period in 2020.

Adjusted EBITDA

Adjusted EBITDA for the quarter ended December 31, 2021 was $225, or $0.01 per share (basic and diluted) as compared to an Adjusted EBITDA of $836 or $0.04 per share (basic and diluted), in the comparative period in 2020. Adjusted EBITDA margin decreased to 6% for the current quarter compared to 20% for the comparative period in 2020. For the fiscal year ended December 31, 2021, Adjusted EBITDA was $821, or $0.04 per share (basic and diluted), as compared to an Adjusted EBITDA of $985, or $0.05 per share (basic and diluted), for the comparative period in 2020. Adjusted EBITDA margin for the fiscal year ended December 31, 2021 decreased to 5% compared to 6% for the comparative period in 2020. 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 and Adjusted EBITDA margin. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

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,	
	2021	**2020**	**2021**	**2020**
Total revenue	**$3,593**	**$4,247**	**$15,333**	**$16,850**
Net income (loss)	**(186)**	**417**	**(468)**	**(1,485)**
Add back (deduct):				
Share-based payment expense	12	(20)	76	164
Depreciation and amortization	249	212	920	862
Deferred share unit expense	—	—	—	275
Restructuring costs	—	(36)	—	924
Foreign exchange loss	136	222	220	148
Finance income	(5)	(2)	(20)	(47)
Finance expense	19	43	93	144
Adjusted EBITDA	**225**	**836**	**821**	**985**
Adjusted EBITDA margin	**6%**	**20%**	**5%**	**6%**

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, 2021. 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, 2021	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020	Mar. 31, 2020
	(In thousands of dollars, except share and per share figures) (Unaudited)							
Revenue	$3,593	$4,038	$3,766	$ 3,936	$ 4,247	$ 4,335	$ 4,287	$ 3,981
Net income (loss)	(186)	180	(179)	(283)	417	539	(1,187)	(1,254)
Weighted average number of shares outstanding (000`s):								
Basic	21,076	21,067	21,055	21,055	21,100	21,108	20,664	20,677
Diluted	21,076	21,105	21,055	21,055	21,100	21,108	20,664	20,677
Net income (loss) per share:								
Basic and diluted	$ (0.01)	$ 0.01	$ (0.01)	$ (0.01)	$ 0.02	$ 0.03	$ (0.06)	$ (0.06)

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 and subscription, and professional services revenue, and the impact of currency movements against the Canadian dollar. As the timing of executing customer arrangements changes from quarter to quarter, the impact on revenue can be 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, 2021, we held cash and cash equivalents of $5,489. 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, 2021,	
	2021	2020
Net cash flows from operating activities	263	$ 1,439
Net cash flows used in financing activities	(1,117)	(886)
Net cash flows from (used) in investing activities	994	(36)
Effect of exchange rate changes on cash and cash equivalents	(77)	(214)
Increase in cash and cash equivalents	63	303
Beginning cash and cash equivalents	5,426	5,123
Ending cash and cash equivalents	5,489	5,426

Net cash flows from operating activities

We generated cash of $263 from operating activities for the fiscal year ended December 31, 2021. Of the cash generated, $641 of cash was generated from operating activities, offset by $378 attributable to movements in non-cash working capital with change arising from an increase in accounts receivable, offset by a decrease in prepaid expenses and other assets, and an increase in accounts payable and accrued liabilities, and deferred revenue.

We generated cash of $1,439 from operating activities during the fiscal year ended December 31, 2020. Of the cash generated, $1,284 is attributable to movements in non-cash working capital with change arising from a decrease in prepaid expenses and other assets, accounts receivable, accounts payable and accrued liabilities, and deferred revenue, with $155 of cash generated from operating activities.

Net cash flows used in financing activities

For the fiscal year ended December 31, 2021, net cash used in financing activities was $1,117, consisting of payment of finance lease of $1,120 for office premises and computer equipment, and interest payment of $6, offset by proceeds from exercise of stock options of $9.

For the fiscal year ended December 31, 2020, net cash used in financing activities was $886. This consisted of payment of finance lease of $850 for office premises and cost of exercise of deferred share units of $36.

Net cash flows from (used) in investing activities

For the fiscal year ended December 31, 2021, net cash generated from investing activities was $994, which consisted of sale of equity investments of $1,020, interest received of $20, offset by purchase of property and equipment of $46.

For the fiscal year ended December 31, 2020, net cash used in investing activities was $36, which consisted of purchase of property and equipment of $83, offset by interest received of $47.

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 leases for office premises and computer equipment.

The lease for office premises has a duration of five years ending on December 31, 2022 and the lease for computer hardware has a duration of three years ending February 3, 2024.

On January 20, 2022, the Company and the Landlord executed an amendment to the lease term for the office space, with the lease term ending early on June 30, 2022. In consideration, under the terms of the amendment, by June 30, 2022, the Company is obligated to pay an amount equal to 50% of the contractual obligation for the period July 1, 2022 to December 31, 2022 less any rental deposit held by the Landlord.

Total approximate future minimum lease payments for the leased office premises as at December 31, 2021, taking into account the lease amendment referenced above are as follows:

	$
Less than 1 year	650
Between 1 and 5 years	85
Total	735

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leased office premises. The additional amount is expected to be approximately $908 for 2022.

Off-Balance Sheet Transactions

As a general practice, we have not entered into off-balance sheet financing arrangements.

Transactions with Related Parties

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 previously entered into pursuant to the completed plan of arrangement in 2016 between the parties. As per the terms of separation, the Company wrote off $994 under the interim loan agreement; the amount owed by NexJ Health Inc. and provided for in the statements of comprehensive loss for the fiscal year ended December 31, 2016. The Company also wrote off $636 under the shared services agreement, the amount owed by NexJ Health Inc. and provided for in the statements of comprehensive loss for the fiscal year ended December 31, 2016.

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. On July 2, 2021, NexJ Health Inc. exercised its right to cancel the sublease, with the sublease 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”.

The Company charged $nil and $231 (2020 - $87 and $361) for the quarter and fiscal year ended December 31, 2021, respectively. During the quarter and fiscal year ended December 31, 2021, the Company has received payment of $nil and $225 (2020 - $207 and $632), respectively, from NexJ Health Inc. The remaining balance of $334 is recorded under prepaid expenses and other assets in the statements of financial position as of December 31, 2021.

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 $876 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, 2021	4	65
Fiscal year ended December 31 2021	2	80
Quarter ended December 31, 2020	3	65
Fiscal year ended December 31 2020	3	62

	Accounts receivable	
	Number of customers	% of total
As at December 31, 2021	2	47
As at December 31, 2020	2	77

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, 2021 and 2020 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. We believe that there have been no significant changes in our critical accounting estimates for the fiscal year ended December 31, 2021.

Revenue recognition

Revenue is recognized upon transfer of control of products and services at an amount that reflects the consideration the Company expects to receive in exchange for the products or services in its contracts with customers, net of discounts and sales taxes. 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’s hosted software-as-a-service (“SaaS”) application, which allows customers to use hosted software over the contract period without taking possession of the software, is provided on a subscription basis, and revenue is recognized rateably over the contract period, commencing on the date an executed contract exists and the customer has the right-to-use and access to the software.

On-premise software subscriptions provide the customer with a right-to-use of the software as it exists when made available to the customer. Revenue from distinct on-premise subscription licenses is recognized upfront at the point in time when the software is made available to the customer and the right to use the software has commenced. On-premise subscription licenses are bundled with software maintenance and support services for a term. The license component and maintenance and support services components are each allocated revenue using their relative estimated standalone selling price (“SSP”). Revenue allocated to the bundled maintenance and support is recognized rateably over the term of the maintenance and support 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 SSP.

The Company also earns revenue from SaaS subscription-based arrangements through its reseller partner channel when the end user customer has the right-to-use and access to the software. Revenue is recognized rateably over the contract period, commending on the date an executed contract exists and the customer has the right-to-use and access the software.

Revenue from the perpetual license of software and subscription-based software license 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.

Maintenance and support services provided to customers on legacy perpetual software licenses is recognized rateably over the term of the support agreement based on the price charged for the same or similar maintenance when sold in stand-alone maintenance renewals with customers, as substantiated by contractual renewal rates and the Company's maintenance renewal experience.

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 certain sales incentive programs meet the requirements to be capitalized. 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. The expected customer renewal period is estimated based over the life of 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 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 ("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.

Outstanding Share Data

As of March 8, 2022, 21,347,183 Common Shares were issued and outstanding. In addition, as of December 31, 2021, there were 1,488,679 stock options outstanding with exercise prices ranging from $0.45 to $4.50 per share.

As at December 31, 2021, there were 797,181 deferred share units ("DSUs") outstanding under the Company's deferred share unit plan for members of the Board of Directors, 671,254 of which represents the right to acquire one common share per DSU when the Board member is no longer rendering service to the Company, and 125,927 of which will be settled in cash, based on the value of the Company's common shares at the time of settlement.

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, 2021, 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, 2021, 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, 2021 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 provides Intelligent Customer Management solutions to the financial services industry. Our award-winning financial services productivity software is designed to help Wealth Management, Private Banking, Corporate Banking, and Commercial Banking firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and help drive increased revenues. With users in over 60 countries, our customers benefit from our deep expertise across financial services sub-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.

Investors Relations and Media Contact

Matthew Bogart
416-227-3708
matt.bogart@nexj.com

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