NEXJ SYSTEMS INC.

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

This management's discussion and analysis of financial condition and results of operations (the "MD&A") should be read in conjunction with the unaudited condensed interim financial statements for the quarter and six months ended June 30, 2021, which we prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should also be read in conjunction with our annual MD&A and audited financial statements for the years ended December 31, 2020 and 2019, which we prepared in accordance with IFRS and are available on SEDAR at www.sedar.com. Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Caution Regarding Forward-Looking Statements" and "Risk Factors". The information in this discussion is provided as of July 29, 2021, unless we indicate otherwise.

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

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

Caution Regarding Forward - Looking Statements

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

Forward-looking statements are based on certain assumptions and analysis made by the Company based on its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, current and prospective investors should not place undue reliance on these forward-looking statements.

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

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

Risks and Uncertainties

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

Non-IFRS Measures

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

The term "Adjusted EBITDA" refers to net income (loss) before adjusting for share-based payment expense, depreciation and amortization, 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 is the pioneer of Intelligent Customer Management. Our award-winning CRM is designed to help financial services firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and increase revenue. NexJ products are designed to address the needs of several vertical markets within the financial services industry, and include:

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

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

- Artificial Intelligence Services, designed to leverage data to provide actionable recommendations and equip firms to deliver valuable insights to their clients.
- Relationship Management Services, developed to help firms break down complex relationship dynamics and equip them to drive revenue and enhance the client experience.
- Process Management Services, designed to automate and integrate complex processes and equip firms to drive optimization and efficiency.
- Data Management Services, built to integrate all 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 on premise, hosted in an external data center or hosted as a managed service. 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 rights to certain unspecified product updates. Subscription fees are payable annually, in advance. 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 software products.

Cost of revenues 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 revenues 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 their innovative cloud CRM 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.

Results of Operations

The following table sets forth a summary of our results of operations for the quarters and six months ended June 30, 2021 and 2020:

(In thousands of dollars, except percentages and per share amounts)	Quarter ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
Revenue	$3,766	$4,287	(521)	(12)	$7,702	$8,268	(566)	(7)
Cost of revenue (1)	894	872	22	3	1,957	2,203	(246)	(11)
Gross profit	2,872	3,415	(543)	(16)	5,745	6,065	(320)	(5)
Operating Expenses								
Research and development(2)	1,486	1,341	145	11	2,881	3,343	(462)	(14)
Sales and marketing(3)	517	566	(49)	(9)	1,082	1,353	(271)	(20)
General and administrative(4)	739	926	(187)	(20)	1,556	2,120	(564)	(27)
Total operating expenses	2,742	2,833	(91)	(3)	5,519	6,816	(1,297)	(19)
Adjusted EBITDA	130	582	(452)	(78)	226	(751)	977	130
Share-based payment expense	17	58	(41)	(71)	54	129	(75)	(58)
Depreciation and amortization	224	222	2	1	442	433	9	2
Deferred share unit expense	—	275	(275)	(100)	—	275	(275)	(100)
Restructuring costs	—	960	(960)	(100)	—	960	(960)	(100)
Foreign exchange loss (gain)	50	239	(189)	(79)	150	(134)	284	(212)
Finance income	(6)	(19)	13	(68)	(9)	(43)	34	(79)
Finance expense	24	34	(10)	(29)	51	70	(19)	(27)
Loss before income taxes	(179)	(1,187)	1,008	85	(462)	(2,441)	1,979	(81)
Income taxes	—	—	—	—	—	—	—	—
Net loss	**$(179)**	**$(1,187)**	**$1,008**	**85**	**$(462)**	**$(2,441)**	**$1,979**	**81**
Weighted average number of common shares outstanding (000's)								
Basic	21,055	20,664			21,055	20,670		
Diluted	21,055	20,664			21,064	20,670		
Net loss per share								
Basic and diluted	$ (0.01)	$ (0.06)			$ (0.02)	$ (0.12)		
Adjusted EBITDA per share								
Basic and diluted	$ 0.01	$ 0.03			$ 0.01	$ (0.04)		

(1) Cost of revenues for the quarter and six months ended June 30, 2021 exclude share-based payment expense of $(7) and $(2) (2020 - $5 and $21) respectively.
(2) Research and development expenses for the quarter and six months ended June 30, 2021 exclude share-based payment expense of $6 and $14 (2020 - $12 and $28) respectively.
(3) Sales and marketing expenses for the quarter and six months ended June 30, 2021 exclude share-based payment expense of $1 and $2 (2020 - $2 and $5) respectively.
(4) General and administrative expenses for the quarter and six months ended June 30, 2021 exclude share-based payment expense of $17 and $40 (2020 - $39 and $75) respectively, depreciation and amortization of $224 and $442 (2020 - $222 and $433) respectively, and deferred share unit expense of $nil and $nil (2020 - $275 and $275) respectively.

	As at June 30, 2021	As at December 31, 2020
	(In thousands of dollars)	
Selected Statement of Financial Position Data	$	$
Cash and cash equivalents	6,378	5,426
Total assets	12,576	14,802
Deferred revenue	4,231	5,720
Total non-current liabilities	743	1,525
Total liabilities	7,929	9,740
Total shareholders' equity	4,647	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 six months ended June 30, 2021, we determined that the Company qualified and submitted claims for $832 and $1,829 (2020 - $891 and $891), respectively, which have been received and recognized as a reduction to the related expenses in the unaudited condensed statements of comprehensive loss.

Comparison of the quarters and six months ended June 30, 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 six months ended June 30, 2021 and 2020:

(In thousands of dollars, except percentages)	Quarter ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
License & Subscription fees	$395	$26	369	1,419	$438	$50	388	776
Professional services	1,258	1,972	(714)	(36)	3,058	3,643	(585)	(16)
Maintenance and support	2,113	2,289	(176)	(8)	4,206	4,575	(369)	(8)
Total	3,766	4,287	(521)	(12)	7,702	8,268	(566)	(7)

Total revenue for the quarter ended June 30, 2021 was $3,766, a decrease of $521, or 12%, from $4,287 recognized in the comparative period in 2020. In the quarter, 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. Total revenue for the six months ended June 30, 2021 was $7,702, a decrease of $566, or 7%, from $8,268 recognized in the comparative period in 2020.

License & Subscription fees — License & subscription fees revenue for the quarter ended June 30, 2021 increased by $369, to $395, from $26 recognized in the comparative period in 2020. For the six months ended June 30, 2021, license and subscription fee revenue increased by $388, to $438, from $50 recognized in the comparative period in 2020. The revenue recognized for the quarter and six months ended June 30, 2021 was due to new subscription-based license revenue generated from sale of new products within our existing customers as well as increasing subscription-based license revenue from new customers onboarded through our partner ecosystem. 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 June 30, 2021 decreased by $714, or 36%, to $1,258 from $1,972 recognized in the comparative period in 2020. For the six months ended June 30, 2021, professional services decreased by $585, or 16%, to $3,058, from $3,643 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 June 30, 2021 decreased by $176, or 8%, to $2,113 from $2,289 for the comparative period in 2020. For the six months ended June 30, 2021, maintenance and support revenue decreased by $369, or 8%, to $4,206, from $4,575 for the comparative period in 2020. The decrease in maintenance and support revenue for the quarter and six months ended June 30, 2021 was due to reduction in renewals, 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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Americas	$2,882	$2,977	$5,617	$5,961
EMEA	582	944	1,495	1,593
Asia Pacific	302	366	590	714
Total	3,766	4,287	7,702	8,268

Deferred revenue

The deferred revenue balance on our condensed interim 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 June 30, 2021, unbilled deferred revenue was approximately $397.

Deferred revenue balance at June 30, 2021 was $4,231 (December 31, 2020 - $5,720), relating to software subscription, professional services arrangements and annual maintenance and support revenue.

Cost of Revenues

(In thousands of dollars, except percentages)	Quarter ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
Cost of revenues	$894	$872	22	3	$1,957	$2,203	(246)	(11)
Gross profit	2,872	3,415	(543)	(16)	5,745	6,065	(320)	(5)
Gross profit percentage	76%	80%			75%	73%		

Cost of revenues for the quarter ended June 30, 2021 increased by $22, or 3%, to $894, from $872 for the comparative period in 2020. For the quarter ended June 30, 2021, the average full time equivalent employee headcount devoted to cost of revenues 25 was as compared to 35 for the comparative period in 2020. The small increase in the expense is a result of an increased use of short-term contractors, decrease in the funding received under CEWS, offset by the decrease in employee headcount. For the six months ended June 30, 2021, cost of revenues decreased by $246, or 11%, to $1,957, compared to $2,203, over the comparative period in 2020. For the six months ended June 30, 2021, the average full time equivalent employee headcount devoted to cost of revenues was, 23 as compared to 32 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.

Gross profit for the quarter ended June 30, 2021 decreased by $543, or 16%, to $2,872, from $3,415 for the comparative period in 2020. For the six months ended June 30, 2021, gross profit decreased by $320, or 5%, to $5,745, compared to $6,065, over the comparative period in 2020. The lower gross profit for the quarter and six months ended June 30, 2021 was the result of reduced revenues as compared to the previous year.

Operating Expenses

The following table sets forth the breakdown of our operating expenses by category and the change for the quarters ended June 30, 2021 and 2020:

(In thousands of dollars, except percentages)	Quarter ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
Research and development	$1,486	$1,341	145	11	$2,881	$3,343	(462)	(14)
Sales and marketing	517	566	(49)	(9)	1,082	1,353	(271)	(20)
General and administrative	739	926	(187)	(20)	1,556	2,120	(564)	(27)
Total	2,742	2,833	(91)	(3)	5,519	6,816	(1,297)	(19)

Total operating expenses for the quarter ended June 30, 2021 decreased by $91, or 3%, to $2,742, compared to $2,833 over the comparative period in 2020. For the six months ended June 30, 2021, total operating expenses decreased by $1,297, or 19%, to $5,519, compared to $6,816 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, net — Research and development expenses for the quarter ended June 30, 2021 increased by $145, or 11%, to $1,486, from $1,341 for the comparative period in 2020. For the quarter ended June 30, 2021, the average full time equivalent employee headcount devoted to research and development was 54, as compared to 63 employees over the comparative period in 2020. The increase in the expense is a result of the increased use of short-term contractors, decrease in the funding received under CEWS, offset by the decrease in employee headcount. For the six months ended June 30, 2021, research and development expenses decreased by $462, or 14%, to $2,881, compared to $3,343, over the comparative period in 2020. For the six months ended June 30, 2021, the average full time equivalent employee headcount devoted to research and development was 55 as compared to 67 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.

Sales and marketing — Sales and marketing expenses for the quarter ended June 30, 2021 decreased by $49 or 9%, to $517, from $566 for the comparative period in 2020. For the quarter ended June 30, 2021, the average full time equivalent employee headcount devoted to sales and marketing was 10, as compared to 12 for the comparative period in 2020. For the six months ended June 30, 2020, sales and marketing expenses decreased by $271, or 20%, to $1,082, compared to $1,353, over the comparative period in 2020. For the six months ended June 30, 2020, the average full time equivalent employee headcount devoted to sales and marketing was 11, as compared to 13 employees over the comparative period in 2020. The decrease in the expense for the quarter and six months ended June 30, 2021 is mainly due to the decrease of payroll expenses, as well as variable compensation relating to revenues, and funding received under CEWS.

General and administrative, net — General and administrative ("G&A") expenses for the quarter ended June 30, 2021 decreased by $187, or 20%, to $739, from $926 for the comparative period in 2020. For the quarter ended June 30, 2021, the average fulltime equivalent employee headcount devoted to general and administrative was 15, as compared to 17 for the comparative period in 2020. For the six months ended June 30, 2020, G&A expenses decreased by $564, or 27%, to $1,556, compared to $2,120, over the comparative period in 2020. For the six months ended June 30, 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 no new 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 June 30, 2021, share-based payment expense decreased by $41, to $17 from $58 recognized in the same period of 2020. For the six months ended June 30, 2021, share-based payment expense decreased by $75, to $54, from $129 recognized in the comparative period in 2020.

The decrease in the expense for the quarter and six months ended June 30, 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 June 30, 2021, depreciation and amortization of property, equipment, and right-of-use asset increased by $2, to $224, from $222 recognized in the comparative period in 2020. For the six months ended June 30, 2021, depreciation and amortization of property, equipment, and right-of-use asset increased by $9, to $442, from $433 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 independent 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 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 condensed interim statements of comprehensive loss for the quarter and six months ended June 30, 2020. The equity-settled DSUs issued and outstanding as at June 30, 2020 aggregated to 944,348.

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 condensed interim statements of financial position. The cash-settled DSUs issued and outstanding as at June 30, 2020 aggregated to 167,652.

Restructuring costs

For the quarter and six months ended June 30, 2021, the Company paid $34 and $95, respectively, in restructuring costs, in connection with the restructuring undertaken in the second quarter of 2020. As at June 30, 2021, there are no remaining amounts outstanding.

Foreign exchange loss (gain)

For the quarter ended June 30, 2021, our foreign exchange loss was $50 compared to a foreign exchange loss of $239 for the comparative period in 2020. For the six months ended June 30, 2021, our foreign exchange loss was $150 compared to a foreign exchange gain of $134 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 June 30, 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 June 30, 2021, the U.S. dollar weakened by approximately 1% against the Canadian dollar from C$1.2562 to C$1.2398 as compared to the U.S. dollar weakening by 4% from C$1.4187 to C$1.3576 for the comparative period in 2020. The Australian dollar weakened by 3% against the Canadian dollar from C$0.9545 to C$0.9297 in the second quarter of 2021 as compared to strengthening by approximately 8% against the Canadian dollar from C$0.8676 to C$0.9372 for the comparative period in 2020.

For the six months ended June 30, 2021, the US dollar weakened by 3% against the Canadian dollar from C$1.2725 to C$1.2398 as compared to strengthening by 5% from C$1.2988 to C$1.3576 for the comparative period in 2020. Additionally, the Australian dollar weakened by 5% against the Canadian dollar from C$0.9803 to C$0.9297 in the six months ended June 30, 2021 as compared to strengthening by 3% against the Canadian dollar from C$0.9122 to C$0.9372 for the comparative period in 2020.

As at June 30, 2021, U.S. dollar denominated net monetary assets were US$3,014 as compared to US$1,965, as at June 30, 2020. As at June 30, 2021, Australian dollar denominated net monetary assets were AU$221 as compared to AU$145 as at June 30, 2020.

Finance income

For the quarter ended June 30, 2021, finance income decreased by $13, or 68%, to $6, from $19 recognized in the comparative period in 2020. For the six months ended June 30, 2021, finance income decreased by $34, or 79%, to $9 from $43 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 June 30, 2021, finance expense decreased by $10, or 29%, to $24, from $34 recognized in the comparative period in 2020. For the six months ended June 30, 2021, finance expense decreased by $19, or 27%, to $51, from $70 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 loss

We reported a net loss of $179, or $(0.01) per share (basic and diluted), for the quarter ended June 30, 2021 compared to net loss of $1,187, or $(0.06) per share (basic and diluted) for the comparative period in 2020. For the six months ended June 30, 2021, we reported a net loss of $462, or $(0.02) per share (basic and diluted), compared to a net loss of $2,441, or $(0.12) per share (basic and diluted), for the comparative period in 2020.

Adjusted EBITDA

Adjusted EBITDA for the quarter ended June 30, 2021 was $130, or $0.01 per share (basic and diluted) as compared to an Adjusted EBITDA of $582 or $0.03 per share (basic and diluted), in the comparative period in 2020. Adjusted EBITDA margin decreased to 3% for the current quarter compared to a 14% for the comparative period in 2020. For the six months ended June 30, 2021, Adjusted EBITDA was $226, or $0.01 per share (basic and diluted), as compared to an Adjusted EBITDA loss of $751, or $(0.04) per share (basic and diluted), for the comparative period in 2020. Adjusted EBITDA margin for the six months ended June 30, 2021 improved to 3% compared to a negative (9%) 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 June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Total revenue	**$3,766**	**$4,287**	**$7,702**	**$8,268**
Net loss	**$(179)**	**$(1,187)**	**$(462)**	**$(2,441)**
Add back (deduct):				
Share-based payment expense	17	58	54	129
Depreciation and amortization	224	222	442	433
Deferred share unit expense	—	275	—	275
Restructuring costs	—	960	—	960
Foreign exchange loss (gain)	50	239	150	(134)
Finance income	(6)	(19)	(9)	(43)
Finance expense	24	34	51	70
Adjusted EBITDA	**$130**	**$582**	**$226**	**$(751)**
Adjusted EBITDA margin	**3%**	**14%**	**3%**	**(9)%**

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 June 30, 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							
	Jun. 30, 2021	**Mar. 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**	**Jun. 30, 2020**	**Mar. 31, 2020**	**Dec. 31, 2019**	**Sept. 30, 2019**
	(In thousands of dollars, except share and per share figures) (Unaudited)							
Revenue	$3,766	$ 3,936	$ 4,247	$ 4,335	$ 4,287	$ 3,981	$ 4,563	$ 4,024
Net income (loss)	(179)	(283)	417	539	(1,187)	(1,254)	(632)	(1,788)
Weighted average number of shares outstanding (000`s):								
Basic and diluted	21,055	21,055	21,100	21,108	20,664	20,677	20,677	20,557
Net income (loss) per share:								
Basic and diluted	$ (0.01)	$ (0.01)	$ 0.02	$ 0.03	$ (0.06)	$ (0.06)	$ (0.03)	$ (0.09)

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

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

Liquidity and Capital Resources

As of June 30, 2021, we held cash and cash equivalents of $6,378. 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)	Six months ended June 30,	
	2021	2020
Net cash flows from operating activities	$1,616	$2,888
Net cash flows used in financing activities	(560)	(323)
Net cash flows used in investing activities	(23)	(41)
Effect of exchange rate changes on cash and cash equivalents	(81)	(31)
Increase in cash and cash equivalents	952	2,493
Beginning cash and cash equivalents	5,426	5,123
Ending cash and cash equivalents	6,378	7,616

Net cash flows from operating activities

We generated cash of $1,616 from operating activities for the six months ended June 30, 2020. Of the cash generated, $1,478 is attributable to movements in non-cash working capital with change arising from a decrease in prepaid expenses and other assets and decrease in accounts receivable, offset by an increase in accounts payable and accrued liabilities and deferred revenue. Additionally, $138 of cash was generated from operating activities.

We generated cash of $2,888 from operating activities for the six months ended June 30, 2020. Of the cash generated, $4,430 is attributable to movements in non-cash working capital with change arising from an increase in prepaid expenses and other assets and decrease in accounts receivable, offset by an increase in accounts payable and accrued liabilities. This was partially offset by $1,542 of cash used in operating activities.

Net cash flows used in financing activities

For the six months ended June 30, 2021, net cash used in financing activities was $560, consisting of payment of finance lease of $557 and interest payment of $3.

For the six months ended June 30, 2020, net cash used in financing activities was $323 solely related to the payment of finance lease.

Net cash flows used in investing activities

For the six months ended June 30, 2021, net cash from investing activities was $23, which consisted of purchase of property and equipment of $32, offset by interest received of $9.

For the six months ended June 30, 2020, net cash used in investing activities was $41, which consisted of purchase of property and equipment of $84, offset by interest received of $43.

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.

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 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 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 year ended December 31, 2016.

The sublease agreement between the Company and NexJ Health Inc., effective January 1, 2019 will continue 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 right-of-use asset and lease receivable relating to the sublease. Right-of-use assets have been measured based on lease payments to be received, discounted using the Company's incremental borrowing rate.

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. Accordingly, the Company charged $86 and $173 (2020 - $84 and $171) for the three and six months ended June 30, 2021, respectively. During the quarter and six months ended June 30, 2021, the Company has received payment of $83 and $225 (2020 - $215 and $215), respectively, from NexJ Health Inc.. The remaining balance of $276 is recorded under prepaid expenses and other assets in the condensed interim statements of financial position.

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 $394 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 June 30, 2021	2	50
Six months ended June 30, 2021	3	60
Quarter ended June 30, 2020	4	75
Six months ended June 30, 2020	4	72

	Accounts receivable	
	Number of customers	**% of total**
As at June 30, 2021	2	72
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 4 to our financial statements for the years ended December 31, 2020 and 2019 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 quarter ended June 30, 2021 from the years presented in our annual financial statements for the years ended December 31, 2020 and 2019.

Outstanding Share Data

As of July 29, 2021, 21,326,350 Common Shares were issued and outstanding. In addition, as of June 30, 2021, there were 1,710,615 stock options outstanding with exercise prices ranging from $0.45 to $4.50 per share.

As at June 30, 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 June 30, 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 June 30, 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 ended June 30, 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 to the financial services industry. Our award-winning CRM is designed to help Wealth Management, Private Banking, Corporate and Commercial Banking, and Insurance firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and increase revenue. With users in over 60 countries, our customers benefit from our deep expertise across financial services verticals, strategic investment in innovation, and commitment to their success.

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

Investors Relations and Media Contact

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

###