

Condensed Interim Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three months ended March 31, 2022 and 2021
(Unaudited)

NEXJ SYSTEMS INC.

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

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,923	\$ 5,489
Accounts receivable	3,269	5,457
Prepaid expenses and other assets	1,339	1,334
Total current assets	10,531	12,280
Non-current assets:		
Property and equipment	570	612
Right-of-use assets (note 3)	724	951
Goodwill	1,753	1,753
Contract assets (note 4)	62	88
Total non-current assets	3,109	3,404
Total assets	\$ 13,640	\$ 15,684
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,719	\$ 2,023
Deferred revenue	6,161	6,592
Lease liabilities (note 5)	665	1,152
Total current liabilities	8,545	9,767
Non-current liabilities:		
Accrued liabilities	53	62
Deferred revenue	14	328
Lease liabilities (note 5)	142	83
Total non-current liabilities	209	473
Total liabilities	8,754	10,240
Shareholders' equity:		
Share capital	83,485	83,485
Share purchase loans	(3,598)	(3,598)
Contributed surplus (note 6)	8,742	8,735
Accumulated other comprehensive loss	751	751
Deficit	(84,494)	(83,929)
Total shareholders' equity	4,886	5,444
Total liabilities and shareholders' equity	\$ 13,640	\$ 15,684

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

	Three months ended March 31,	
	2022	2021
Revenue:		
License and subscription fees	\$ 691	\$ 43
Professional services	1,444	1,800
Maintenance and support	1,899	2,093
	4,034	3,936
Cost of revenue	1,251	1,068
Gross profit	2,783	2,868
Expenses:		
Research and development	1,668	1,403
Sales and marketing	544	566
General and administrative	1,395	1,058
	3,607	3,027
Loss from operations	(824)	(159)
Foreign exchange loss	(29)	(100)
Finance income	15	3
Finance expense (note 5)	273	(27)
	259	(124)
Loss for the period	(565)	(283)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Unrealized loss on equity securities	–	(3)
Loss for the period and comprehensive loss	\$ (565)	\$ (286)
Loss per share (note 7):		
Basic and diluted	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding, in thousands (note 7):		
Basic and diluted	21,076	21,055

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022	Common shares Number*	Amount	Share purchase loans*	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Balance, January 1, 2022	20,405	\$ 83,485	\$ (3,598)	\$ 8,735	\$ 751	\$ (83,929)	\$ 5,444
Comprehensive loss	—	—	—	—	—	(565)	(565)
Share-based payment expense (note 6(a))	—	—	—	7	—	—	7
Balance, March 31, 2022	20,405	\$ 83,485	\$ (3,598)	\$ 8,742	\$ 751	\$ (84,494)	\$ 4,886

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2022, 942 common shares were legally issued to employees in connection with these agreements and included in the total outstanding common shares of 21,347.

Three months ended March 31, 2021	Common shares Number*	Amount	Share purchase loans*	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Balance, January 1, 2021	20,384	\$ 83,471	\$ (3,598)	\$ 8,664	\$ (14)	\$ (83,461)	\$ 5,062
Comprehensive loss	—	—	—	—	(3)	(283)	(286)
Share-based payment expense (note 6(a))	—	—	—	37	—	—	37
Balance, March 31, 2021	20,384	\$ 83,471	\$ (3,598)	\$ 8,701	\$ (17)	\$ (83,744)	\$ 4,813

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2021, 942 common shares were legally issued to employees in connection with these agreements and included in the total outstanding common shares of 21,326.

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

	Three months ended March 31,	
	2022	2021
Cash flows from (used in) operating activities:		
Loss for the period	\$ (565)	\$ (283)
Adjustments for:		
Depreciation and amortization of property and equipment	42	56
Depreciation of right-of-use assets	369	162
Changes in contract assets	26	8
Share-based payment expense	7	37
Finance income	(15)	(3)
Finance expense	(273)	27
Foreign exchange loss	19	54
Change in non-cash operating working capital:		
Accounts receivable	2,188	2,458
Prepaid expenses and other assets	(5)	(13)
Accounts payable and accrued liabilities	(313)	(117)
Deferred revenue	(745)	461
Net cash flows from operating activities	735	2,847
Cash flows used in financing activities:		
Payment of lease liabilities	(295)	(276)
Interest paid	(2)	(1)
Net cash flows used in financing activities	(297)	(277)
Cash flows from investing activities:		
Interest received	15	3
Net cash flows from investing activities	15	3
Effects of exchange rates on cash and cash equivalents	(19)	(54)
Increase in cash and cash equivalents	434	2,519
Cash and cash equivalents, beginning of period	5,489	5,426
Cash and cash equivalents, end of period	\$ 5,923	\$ 7,945
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid	\$ —	\$ 32

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

1. Reporting entity:

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

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

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard ("IAS") 34, Interim Financial Reporting and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies as described in the Company's December 31, 2021 financial statements. The notes presented in these condensed interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed interim financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the years ended December 31, 2021 and 2020.

These condensed interim financial statements were approved by the Board of Directors on May 12, 2022.

(b) Basis of presentation:

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

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

3. Right-of-use assets:

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

	Head office lease	Computer hardware	Total right-of-use assets
Balance, beginning of period	\$ 768	\$ 183	\$ 951
Additions	—	119	119
Depreciation	(355)	(14)	(369)
Modification of sub-lease terms	23	—	23
Balance, end of period	\$ 436	\$ 288	\$ 724

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

During the three months ended March 31, 2022, the Company recognized \$369 (2021 - \$162) of depreciation expense.

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 (refer to note 5).

4. Contract assets:

	March 31, 2022	December 31, 2021
Balance, January 1	\$ 88	\$ 51
Contract costs incurred	6	130
Amortization	(32)	(93)
Balance, end of period	\$ 62	\$ 88

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

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

4. Contract assets (continued):

These costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer, which the Company has determined to be approximately three years. During the three months ended March 31, 2022, amortization amounting to \$32 (2021 - \$13) was recognized as part of sales and marketing in the condensed interim statements of comprehensive loss.

5. Lease liabilities:

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

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 by the Landlord. The amendment constitutes a modification of the lease terms whereby the lease liability is remeasured as of the date of the amendment under IFRS 16, Leases. The remeasurement of the lease resulted in the lease liability decreasing by \$262, the right-of-use asset increasing by \$23, and \$285 recognized as a credit to the finance expense to reverse previously recorded accretion expense.

During the three months ended March 31, 2022, the Company entered into a new 3-year finance lease for the purchase of computer hardware in the amount of \$119. This lease is repayable in monthly payments of \$4 with imputed interest at 5.07% maturing in 2024.

During the three months ended March 31, 2021, the Company entered into a 3-year finance lease for the purchase of computer hardware in the amount of \$224. This lease is repayable in monthly payments of \$6 with imputed interest at 3.07% maturing in 2024.

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

5. Lease liabilities (continued):

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

Balance, beginning of period	\$ 1,235
Additions	119
Interest on lease liabilities	12
Lease payments	(297)
Modification of lease terms	(262)
Balance, end of period	807
Less current portion	665
Non-current portion	\$ 142

During the three months ended March 31, 2022, the Company recognized \$12 (2021 - \$27) of accretion expense from these leases, offset by a credit to finance expense of \$285 due to the modification of the head office lease terms.

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

6. Share-based payment arrangements:

At March 31, 2022, the Company had the following share-based payment arrangements:

(a) Stock option plan:

The total share-based payment expense and the amount credited to contributed surplus for the three months ended March 31, 2022 was \$7 (2021 - \$37). The following table outlines the activity for stock options for the three months ended March 31, 2022 and 2021:

	2022		2021	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	1,489	\$ 1.13	1,833	\$ 1.22
Cancelled	(28)	1.61	—	—
Expired	(175)	1.23	(56)	2.54
Outstanding, end of period	1,286	1.11	1,777	1.18
Exercisable, end of period	1,050	\$ 1.25	1,072	\$ 1.51

At March 31, 2022, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding (000s)	Weighted average remaining contractual life (years)
\$0.45 - \$1.00	524	5.09
\$1.00 - \$2.00	743	2.11
\$2.01 - \$3.00	13	2.62
\$3.01 - \$4.00	—	—
\$4.01 - \$4.50	6	1.98
	1,286	3.33

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

6. Share-based payment arrangements (continued):

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

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

The following table outlines the activity for the DSUs for the three months ended March 31, 2022 and 2021:

	2022		2021	
	Number	Amount	Number	Amount
	(000s)		(000s)	
Outstanding, beginning of period	797	\$ 924	797	\$ 963
Changes in fair value of cash-settled award	–	(9)	–	(25)
Outstanding, end of period	797	\$ 915	797	\$ 938
Comprising:				
Equity-settled award	671	\$ 862	671	\$ 862
Cash-settled award	126	53	126	76

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

7. Loss per share:

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

	Three months ended March 31,	
	2022	2021
Numerator:		
Loss for the period	\$ (565)	\$ (283)
Denominator:		
Weighted average number of shares (in thousands):		
Basic and diluted	21,076	21,055
Loss per share:		
Basic and diluted	\$ (0.03)	\$ (0.01)

During the three months ended March 31, 2022, there were nil (2021 - 9) stock options that were excluded from the computation of diluted loss per share.

8. Related party transactions:

Shared services agreement:

On June 24, 2020, the Company, NexJ Health Inc. and NexJ Health Holdings Inc. entered into a separation agreement effective June 15, 2020, terminating the interim loan agreement, the shared services agreement as well as the software license agreements previously entered into pursuant to the completed plan of arrangement in 2016 between the three parties. The sublease agreement between the Company and NexJ Health Inc., effective January 1, 2019 continued to be in place for the sublease of the office space occupied by NexJ Health Inc. The Company classifies the sublease in accordance with the provisions of IFRS 16, Leases, and consequently has derecognized the right-of-use asset and lease receivable relating to the sublease. Right-of-use asset has been measured based on lease payments to be received, discounted using the Company's incremental borrowing rate. On July 2, 2021, NexJ Health Inc. exercised its right to cancel the sub-lease, with the sub-lease ending on August 31, 2021. The termination of the sublease agreement has been recorded as a modification in accordance with the provisions of IFRS 16, Leases.

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

8. Related party transactions (continued):

The Company charged nil (2021 - \$77) for the three months ended March 31, 2022. During the three months ended March 31, 2022, the Company has received payment of \$67 (2021 - \$142) from NexJ Health Inc. The remaining balance of \$267 (December 31, 2021 - \$334) is recorded under prepaid expenses and other assets in the condensed interim statements of financial position as of March 31, 2022.

The terms of the agreements above and the related amounts being charged were agreed upon by the parties.

9. Financial instruments and capital management:

(a) Classification and fair values of financial instruments:

The following table sets out the Company's classification and carrying amount, together with the fair value, for each type of financial asset and financial liability as at March 31, 2022 and December 31, 2021:

Classification	March 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Amortized cost:				
Cash equivalents	\$ 1,940	\$ 1,940	\$ 1,576	\$ 1,576
Accounts receivable	3,269	3,269	5,457	5,457
Financial liabilities:				
Amortized cost:				
Accounts payable and accrued liabilities	1,772	1,772	2,085	2,085
Lease liabilities	807	807	1,235	1,235

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

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

9. Financial instruments and capital management (continued):

Fair value measurements:

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

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

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. Financial assets and financial liabilities measured at fair value as at March 31, 2022 and December 31, 2021 in the condensed interim financial statements are summarized below:

March 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	\$ 1,940	\$ –	\$ –	\$ 1,940

December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	\$ 1,576	\$ –	\$ –	\$ 1,576

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

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

9. Financial instruments and capital management (continued):

(b) Market risk:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of these risks as at March 31, 2022:

(i) Credit risk:

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

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

The following tables summarize the number of customers that individually comprise greater than 10% of total revenue or total accounts receivable and their aggregate percentage of the Company's total revenue and accounts receivable:

	Revenue	
	Number of customers	% of total
Three months ended March 31, 2022	3	64
Three months ended March 31, 2021	3	62

	Accounts receivable	
	Number of customers	% of total
As at March 31, 2022	1	78
As at December 31, 2021	2	80

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

9. Financial instruments and capital management (continued):

(ii) Liquidity risk:

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

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

(iii) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and Australian dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future. The Company has foreign currency exposure with respect to cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars and Australian dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars and Australian dollars. During the three months ended March 31, 2022, the Company recorded a foreign exchange loss of \$29 (2021 - loss of \$100). At March 31, 2022, U.S. dollar-denominated net monetary assets totalled approximately U.S. \$4,712 (2021 - U.S. \$4,125). At March 31, 2022, Australian dollar-denominated net monetary assets totalled approximately AUD \$411 (2021 - AUD \$169).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately \$628 due to the fluctuation and this would be recorded in the condensed interim statements of comprehensive loss.

NEXJ SYSTEMS INC.

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

Three months ended March 31, 2022 and 2021
(Unaudited)

9. Financial instruments and capital management (continued):

(iv) Interest rate risk:

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

(c) Capital management:

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

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development to enhance existing product offerings, as well as develop new ones, undertake selective acquisitions and provide sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

In managing its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the up-front cost of taking on new customers.

The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process. The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and shareholders' equity. The Company does not have any externally imposed capital requirements.

NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)
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Three months ended March 31, 2022 and 2021
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10. Segment reporting:

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

	Three months ended March 31,	
	2022	2021
Americas	\$ 3,313	\$ 2,735
EMEA	353	913
Asia Pacific	368	288
	<u>\$ 4,034</u>	<u>\$ 3,936</u>

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