Condensed Interim Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three and nine months ended September 30, 2019 and 2018
(Unaudited)

NEXJ SYSTEMS INC.

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

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 6,678	$ 10,951
Accounts receivable	2,286	4,876
Prepaid expenses and other assets (note 3)	2,362	1,688
Total current assets	11,326	17,515
Non-current assets:		
Property and equipment	1,044	1,181
Right-of-use assets (note 3)	2,075	–
Goodwill	1,753	1,753
Investments (note 11)	265	–
Contract costs (note 4)	152	227
Other assets (note 3)	563	260
Total non-current assets	5,852	3,421
Total assets	$ 17,178	$ 20,936
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 2,326	$ 2,689
Deferred revenue	4,921	4,786
Provisions (note 3)	–	51
Lease liabilities (note 3)	692	12
Total current liabilities	7,939	7,538
Non-current liabilities:		
Accrued liabilities (note 6(b))	140	–
Provisions (note 3)	–	13
Lease liabilities (note 3)	2,335	–
Total non-current liabilities	2,475	13
Total liabilities	10,414	7,551
Shareholders' equity:		
Share capital (note 5)	82,915	82,905
Share purchase loans (note 5)	(3,598)	(3,598)
Contributed surplus (note 6)	8,795	8,366
Accumulated other comprehensive loss	(4)	–
Deficit	(81,344)	(74,288)
Total shareholders' equity	6,764	13,385
Total liabilities and shareholders' equity	$ 17,178	$ 20,936

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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue:				
License fees	$ 391	$ 615	$ 950	$ 1,717
Subscription fees	41	–	103	–
Professional services	1,279	2,425	4,640	7,904
Maintenance and support	2,313	2,280	6,972	6,641
	4,024	5,320	12,665	16,262
Cost of revenue	1,310	1,716	5,080	6,080
Gross revenue	2,714	3,604	7,585	10,182
Expenses:				
Research and development, net	2,100	2,332	7,343	6,861
Sales and marketing	884	790	2,364	2,665
General and administrative, net	1,543	1,336	4,158	4,577
Restructuring costs (note 7)	–	–	614	331
	4,527	4,458	14,479	14,434
Loss from operations	(1,813)	(854)	(6,894)	(4,252)
Foreign exchange gain (loss)	40	(171)	(147)	239
Finance income	21	30	97	107
Finance expense (note 3)	(36)	–	(112)	–
	25	(141)	(162)	346
Net loss for the period	(1,788)	(995)	(7,056)	(3,906)
Other comprehensive loss:				
Items that will not be reclassified to profit or loss:				
Unrealized gain (loss) on equity securities	3	–	(4)	–
Loss for the period and comprehensive loss	$ (1,785)	$ (995)	$ (7,060)	$ (3,906)
Loss per share (note 8):				
Basic and diluted	$ (0.09)	$ (0.05)	$ (0.34)	$ (0.19)
Weighted average number of common shares outstanding, in thousands (note 8):				
Basic and diluted	20,557	20,586	20,540	20,551

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Nine months ended September 30, 2019	Common shares Number*	Common shares Amount	Share purchase loans*	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total share-holders' equity
Balance, January 1, 2019	20,168	$ 82,905	$ (3,598)	$ 8,366	$ –	$ (74,288)	$ 13,385
Comprehensive loss	–	–	–	–	(4)	(7,056)	(7,060)
Share-based payment expense (note 6(a))	–	–	–	333	–	–	333
Deferred share unit expense (note 6(b))	–	–	–	118	–	–	118
Exercise of employee stock options (note 6(a))	4	20	–	(22)	–	–	(2)
Repurchase of common shares (note 5(b))	(9)	(10)	–	–	–	–	(10)
Balance, September 30, 2019	20,163	$ 82,915	$ (3,598)	$ 8,795	$ (4)	$ (81,344)	$ 6,764

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At September 30, 2019, 942 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total outstanding common shares of 21,105.

Nine months ended September 30, 2018	Common shares Number*	Common shares Amount	Share purchase loans*	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total share-holders' equity
Balance, January 1, 2018	20,082	$ 82,445	$ (3,622)	$ 8,663	$ –	$ (70,571)	$ 16,915
Impact of IFRS 15	–	–	–	–	–	174	174
Comprehensive loss	–	–	–	–	–	(3,906)	(3,906)
Share-based payment expense (note 6(a))	–	–	–	165	–	–	165
Deferred share unit expense (note 6(b))	–	–	–	225	–	–	225
Exercise of employee stock options (note 6(a))	33	57	–	(83)	–	–	(26)
Exercise of deferred share units (note 6(b))	87	514	–	(719)	–	–	(205)
Repayment of share purchase loans by employees (note 5(a))	8	–	24	–	–	–	24
Repurchase of common shares (note 5(b))	(42)	(117)	–	–	–	–	(117)
Balance, September 30, 2018	20,168	$ 82,899	$ (3,598)	$ 8,251	$ –	$ (74,303)	$ 13,249

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At September 30, 2018, 942 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total outstanding common shares of 21,110.

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flows from (used in) operating activities:		
Net loss for the period	$ (7,056)	$ (3,906)
Adjustments for:		
Depreciation and amortization of property, equipment and right-of-use assets	718	284
Amortization of contract costs	162	31
Share-based payment expense	333	165
Equity-settled deferred share unit expense (note 6(b))	118	225
Finance income	(97)	(107)
Finance expense	112	–
Foreign exchange gain (loss)	42	(20)
Change in non-cash operating working capital:		
Accounts receivable	2,590	374
Prepaid expenses and other assets	(505)	321
Accounts payable and accrued liabilities and provisions	(117)	(329)
Deferred revenue	135	378
Net cash flows used in operating activities	(3,565)	(2,584)
Cash flows from (used in) financing activities:		
Proceeds from repayment of share purchase loans	–	24
Repurchase of common shares	(10)	(117)
Costs of exercise of stock options	(2)	(26)
Costs of exercise of deferred share units	–	(205)
Payment of lease liability (completed contract)	(12)	(111)
Payment of lease liability (ongoing contract)	(367)	–
Net cash flows used in financing activities	(391)	(435)
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(103)	(75)
Purchase of equity investments	(269)	–
Interest received	97	106
Net cash flows from (used in) investing activities	(275)	31
Effects of exchange rates on cash and cash equivalents	(42)	20
Decrease in cash and cash equivalents	(4,273)	(2,968)
Cash and cash equivalents, beginning of period	10,951	14,784
Cash and cash equivalents, end of period	$ 6,678	$ 11,816
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid	$ 18	$ 76

See accompanying notes to the condensed interim financial statements.

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, 2018 financial statements except for new policies adopted in the year as described in note 3. 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, 2018 and 2017.

These condensed interim financial statements were approved by the Board of Directors on October 24, 2019.

(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.

Certain 2018 information has been reclassified to conform with the financial statement presentation adopted in 2019.

3. Changes in significant accounting policies:

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Company's annual audited financial statements as at and for the years ended December 31, 2018 and 2017.

The Company has initially adopted IFRS 16, Leases, from January 1, 2019, using the modified retrospective approach.

The changes in accounting policies will also be reflected in the Company's annual financial statements as at and for the year ending December 31, 2019.

(a) IFRS 16, Leases ("IFRS 16"):

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single accounting model, requiring the recognition of assets and liabilities for all major leases, previously classified as "operational leases" under the principles of IAS 17, Leases ("IAS 17"), and related interpretations.

The Company's accounting policy under IFRS 16 is as follows:

(i) Definition of a lease:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to grandfather the lease definition for existing contracts on transition. It applied the definition of a lease under IFRS 16 to existing contracts as of January 1, 2019.

The Company has also elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

3. Changes in significant accounting policies (continued):

(ii) As a lessee:

The Company leases its office space, based on a lease agreement having a fixed duration until December 31, 2022.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, based on the initial amount of the lease liability. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically adjusted for certain remeasurements of the lease liability, if the case may be.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for (1) short-term leases, that have a lease term of 12 months or less, as well as for (2) leases of low value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

3. Changes in significant accounting policies (continued):

(iii) Sub-lease:

When the Company is an intermediate lessor, it determines at lease inception date whether each sub-lease is a finance lease or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the sub-lease is a financial lease; if not, then it is an operational lease.

For financial leases, and when the Company acts as intermediate lessor, it recognizes a sublease receivable and derecognizes the right-of-use assets relating to the head lease that it transfers to the sub lessees. Right-of-use assets and lease receivables relating to the sub leases are measured in the same way as the right-of-use assets and lease liabilities for the head lease, using the same discount rate for the actualization of future payments to be received.

The Company presents accretion expense in the head lease net of accretion income from the sub-leases.

(a) Impact of transition to IFRS 16:

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The cumulative effect of initial application is recognized in deficit at January 1, 2019. Comparative amounts for 2018 remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease receivables and/or lease liabilities. Lease receivables and liabilities have been measured by discounting future lease payments at the incremental borrowing rate at January 1, 2019. The incremental borrowing rate applied was 5.5% per annum and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. As of the initial date of application of IFRS 16, the remaining non-cancelable period of the head lease was four years, while non-cancelable periods for the subleases were four years and fifteen months respectively.

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

3. Changes in significant accounting policies (continued):

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Company has elected to apply the practical expedient for (1) excluding the initial direct costs for the measurement of right-of-use assets at the date of initial application, as well as for (2) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table summarizes the impacts of adopting IFRS 16 at January 1, 2019:

	January 1, 2019 prior to adoption of IFRS 16	Adjustments	January 1, 2019 after adoption of IFRS 16
Current assets:			
Prepaid expenses and other assets	$ 1,688	$ 138	$ 1,826
Non-current assets:			
Right-of-use assets	$ –	$ 2,535	$ 2,535
Other assets	260	402	662
Current liabilities:			
Accounts payable and accrued liabilities	$ 2,689	$ (255)	$ 2,434
Provisions	51	(51)	–
Lease liabilities	–	578	578
Non-current liabilities:			
Provisions	$ 13	$ (13)	$ –
Lease liabilities	–	2,816	2,816

3. Changes in significant accounting policies (continued):

The application of IFRS 16 to leases, previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets, finance lease liabilities and finance lease receivables. Right-of-use assets and lease obligations of $3,394, relating to the lease of the Company's office space (head lease), were recorded as of January 1, 2019, with no net impact on deficit. Also, the Company derecognized right-of-use assets relating to the head lease that it transfers to sub lessees (for the sublease of a part of its office space) and recognizes receivables from the subleases for a total amount of $540, with no net impact on deficit. On initial application of the standard, the Company reversed, against right-of-use asset, provisions for lease-exit charges amounting to $64 and rent inducement accrued liabilities amounting to $255, previously recorded as per IAS 17.

In the condensed interim statements of financial position, lease liabilities relating to leases previously classified as financial leases under IAS 17 and previously presented within current portion of finance lease liabilities, are now presented within lease liabilities. There has been no change in the liabilities recognized.

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

3. Changes in significant accounting policies (continued):

(b) Impact for the period:

The following tables summarizes the impacts of adopting IFRS 16 on the Company's condensed interim financial statements for the nine months ended September 30, 2019:

	September 30, 2019 as reported	Adjustments	September 30, 2019 without adoption of IFRS 16
Current assets:			
Prepaid expenses and other assets	$ 2,362	$ (134)	$ 2,228
Non-current assets:			
Right-of-use assets	$ 2,075	$ (2,075)	$ –
Other assets	563	(303)	260
Current liabilities:			
Accounts payable and accrued liabilities	$ 2,326	$ 368	$ 2,694
Provisions	–	26	26
Lease liabilities	692	(692)	–
Non-current liabilities:			
Lease liabilities	$ 2,335	$ (2,335)	$ –
Shareholders' equity:			
Deficit	$ (81,344)	$ 160	$ (81,184)
Expenses:			
General and administrative, net	$ 4,158	$ (48)	$ 4,110
Finance expense:			
Accretion expense	$ 112	$ (112)	$ –

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

3. Changes in significant accounting policies (continued):

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

	Head lease	Offices subleases	Total right-of-use assets
Balance, January 1, 2019	$ 3,075	$ (540)	$ 2,535
Depreciation	(577)	117	(460)
Balance, September 30, 2019	$ 2,498	$ (423)	$ 2,075

As a result of applying IFRS 16, the Company has recognized depreciation and net accretion expenses, instead of lease expense. During the three and nine months ended September 30, 2019, the Company recognized $154 and $460 of depreciation expense and $36 and $112 of net accretion expense from these leases.

4. Contract costs:

	September 30, 2019	December 31, 2018
Balance, beginning of period	$ 227	$ 331
Contract costs incurred	87	302
Amortization	(162)	(406)
Balance, end of period	$ 152	$ 227

The Company's total capitalized contract costs net of accumulated depreciation are $152 as at September 30, 2019 (December 31, 2018 - $227) and relates to incremental commission fees paid to certain sales and marketing employees as a result of obtaining client contracts.

4. Contract costs (continued):

These costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. 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 and nine months ended September 30, 2019, amortization amounting to $53 and $162 (2018 - $31 and $67) was recognized as part of sales and marketing in the condensed interim statements of comprehensive loss.

5. Share capital:

(a) In 2011, in preparation of its initial public offering ("IPO"), the Company entered into loan and share pledge agreements with certain employees and officers in order to reduce the amount of the Company's outstanding option pool. The participating employees were given an interest-free share purchase loan to exercise all of the stock options.

These shares acquired upon exercise of the employee stock options are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. Despite their legal form, the share purchase loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances.

During the three and nine months ended September 30, 2019, the Company received repayment of $nil and $nil (2018 - $nil and $24), respectively, for nil and nil common shares (2018 - nil and 8,437) with respect to the share loan and pledge agreements. At September 30, 2019, 941,835 common shares (2018 - 941,835) for proceeds of $3,598 (2018 - $3,598) were held as security by the Company with respect to the share loan and pledge agreements.

5. Share capital (continued):

(b) The Company has had a Normal Course Issuer Bid ("NCIB") in place in 2018 and 2019 and has repurchased its common shares through the NCIB. For each of the NCIB in 2018 and 2019 approved by the Toronto Stock Exchange ("TSX") in the prior August of each respective year, the Company can purchase its common shares through all available markets and/or alternative trading systems, including the facilities of the TSX. Each NCIB is valid for one year and the maximum number of common shares which can be purchased, pursuant to each NCIB, aggregated to 1,000,000 common shares per NCIB, representing approximately 4.7% of the number of common shares issued and outstanding.

During the three and nine months ended September 30, 2019, the Company repurchased and cancelled nil and 8,808 (2018 - nil and 41,628), respectively, of its common shares through trades on the TSX for an aggregate purchase price of $10 and $10 (2018 - $nil and $117), respectively, which was recorded as a reduction of share capital.

6. Share-based payment arrangements:

At September 30, 2019, the Company had the following share-based payment arrangements:

(a) Stock option plan:

The total share-based payment expense and the amount credited to contributed surplus for the three and nine months ended September 30, 2019 was $92 and $333, respectively (2018 - $76 and $165).

6. Share-based payment arrangements (continued):

The following table outlines the activity for stock options for the nine months ended September 30, 2019 and 2018:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(000s)		(000s)	
Outstanding, beginning of period	1,951	$ 1.87	1,475	$ 1.78
Granted	355	1.25	693	2.11
Exercised	(20)	1.35	(100)	(1.47)
Cancelled	(180)	1.87	(84)	(2.72)
Expired	–	–	(12)	(2.50)
Outstanding, end of period	2,106	1.77	1,972	1.87
Exercisable, end of period	1,371	$ 1.79	1,257	$ 1.71

The Company's stock option plan provides a cashless exercise feature to holders of options, where such holders of options can exercise their vested options and in return, the Company will deliver the number of common shares equal to the value of the in-the-money portion of new options exercised whereby option holders receive a number of whole common shares of the Company equivalent to the market value of the options over the exercise price net of associated income taxes in connection with the exercise. For the three and nine months ended September 30, 2019, nil and 20,000 (2018 - 25,375 and 100,344) options were exercised on a cashless settlement basis resulting in the issuance of nil and 3,864 (2018 - 4,096 and 32,791) common shares of the Company.

6. Share-based payment arrangements (continued):

At September 30, 2019, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding	Weighted average remaining contractual life
	(000s)	(years)
$1.00 - $2.00	1,728	4.39
$2.01 - $3.00	298	3.50
$3.01 - $4.00	69	0.44
$4.01 - $4.50	11	4.48
	2,106	4.13

(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. For the DSUs to be equity-settled, the Company had a reserve, as approved by the shareholders and TSX of 600,000 common shares.

On September 12, 2019, the Company issued 151,363 equity-settled DSUs to the directors and recorded a DSU expense of $118 with an offsetting credit to contributed surplus in the condensed interim statements of financial position for the three and nine months ended September 30, 2019. The equity-settled DSUs issued and outstanding as at September 30, 2019 aggregated to 513,075. Previously, on August 8, 2018, the Company had issued 86,925 common shares on the exercise of certain DSUs issued to the former directors of the Company. As a result, the Company exhausted its reserve of 600,000 common shares for issuance of equity-settled DSUs.

6. Share-based payment arrangements (continued):

On September 12, 2019, the Company also issued 137,100 cash-settled DSUs to the directors and recorded a DSU expense of $107 with an offsetting credit to non-current accrued liabilities on the condensed interim statements of financial position.

The following table outlines the activity for the DSUs for the nine months ended September 30, 2019 and 2018:

	2019		2018	
	Number (000s)	Amount	Number (000s)	Amount
Outstanding, beginning of period	362	$ 1,167	446	$ 1,661
Granted	288	225	109	225
Exercised	–	–	(193)	(719)
Changes in fair value of cash-settled award	–	33	–	–
Outstanding, end of period	650	$ 1,425	362	$ 1,167
Comprising:				
Equity-settled award	513	$ 1,285	362	$ 1,167
Cash-settled award	137	140	–	–

7. Restructuring costs:

In June 2019 and 2018, the Company executed a restructuring plan whereby certain employees of the Company were severed. For the three and nine months ended September 30, 2019, a total of $nil and $614 (2018 - $nil and $331), respectively, was recorded as restructuring costs, which relates primarily to employee severance costs. During the three and nine months ended September 30, 2019, the Company paid $232 and $491 (2018 - $65 and $145), respectively, in restructuring costs. The remaining amount of $303 recorded under accounts payable and accrued liabilities on the condensed interim statements of financial position as at September 30, 2019, will be paid out within a one-year period.

8. Loss per share:

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Numerator:				
Loss for the period	$ (1,785)	$ (995)	$ (7,060)	$ (3,906)
Denominator:				
Weighted average number of shares (in thousands):				
Basic and diluted	20,557	20,586	20,540	20,551
Loss per share:				
Basic and diluted	$ (0.09)	$ (0.05)	$ (0.34)	$ (0.19)

During the three and nine months ended September 30, 2019, there were nil and 21,548 (2018 - 286 and 437) weighted average outstanding stock options excluded from the computation of diluted loss per share.

9. Related party transactions:

(a) Interim loan agreement:

Pursuant to the completed plan of arrangement in 2016 between the Company, NexJ Health Inc. and NexJ Health Holdings Inc., the Company entered into an interim loan agreement with NexJ Health Inc. that provides that the Company will advance funds to NexJ Health Inc. as required from time to time up to a maximum of $1,000; the loan bears annual interest at prime rate, as published by the Royal Bank of Canada. The loan receivable is repayable on the date of the closing of a rights offering or other such financing by NexJ Health Inc., or such later date as agreed to by the parties. Management evaluated the recoverability of the loan, including the financial position of NexJ Health Inc. as at December 31, 2016 and concluded that it is impaired and recorded a provision of $994 in the condensed interim statement of comprehensive income (loss) for the year ended December 31, 2016.

9. Related party transactions (continued):

During the nine months ended September 30, 2019, no further advances were made to NexJ Health Inc. and the loan continues to be impaired as at September 30, 2019.

(b) Shared services agreement:

Pursuant to the completed plan of arrangement in 2016 between the Company, NexJ Health Inc. and NexJ Health Holdings Inc., the Company also entered into a shared services agreement with NexJ Health Inc. under which the Company was to provide services and support functions relating to facilities, human resources, finance and IT services for a monthly fee agreed upon between the parties. The Company charged $636 for these services for the year ended December 31, 2016. Management evaluated the recoverability of these charges, including the financial position of NexJ Health Inc. as at December 31, 2016 and concluded that it was impaired and recorded a provision of $636 in the condensed interim statement of comprehensive income (loss) for the year ended December 31, 2016. These amounts continue to be impaired as at September 30, 2019.

On January 1, 2019, the parties entered into an agreement for the sublease of the office space occupied by NexJ Health Inc. The Company classifies the sublease in accordance with the provision of IFRS 16 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, as explained in note 3.

Currently, the Company charges for the sublease of office space, based on an agreement signed between the parties, as well as for any third-party costs paid on behalf of NexJ Health Inc. Accordingly, the Company charged $104 and $313 (2018 - $79 and $301) for the three and nine months ended September 30, 2019, respectively. These amounts are recorded under prepaid expenses and other assets in the condensed interim statements of financial position and have to be paid by NexJ Health Inc. subsequent to their respective period end.

The terms of the agreements in (a) and (b) above and the related amounts being charged were agreed upon by the parties.

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

10. Financial instruments and capital management:

(a) Classification and fair values of financial instruments:

The Company has classified its financial assets and financial liabilities as measured at amortized cost, other than investments which are measured at fair value. The following table sets out the Company's classification and carrying amount, together with the fair value, for each type of financial asset and financial liability as at September 30, 2019 and December 31, 2018:

	September 30, 2019		December 31, 2018	
Classification	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Amortized cost:				
Cash equivalents	$ 2,340	$ 2,340	$ 9,809	$ 9,809
Accounts receivable	2,286	2,286	4,876	4,876
Fair value through OCI:				
Investments	265	265	–	–
Financial liabilities:				
Amortized cost:				
Accounts payable and accrued liabilities	2,466	2,466	2,689	2,689
Provisions	–	–	64	64
Lease liabilities	3,027	3,027	12	12

The carrying values of cash equivalents, accounts receivable, accounts payable and accrued liabilities, and provisions approximate their fair values due to the short-term nature of these financial instruments. The carrying value of the lease liabilities approximates the fair value by discounting future lease payments by the Company's incremental borrowing rate.

The fair value of the private investments is determined by using implied valuations or from follow-on financing rounds.

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

10. 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 June 30, 2019 and December 31, 2018 in the condensed interim financial statements are summarized below:

September 30, 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 2,340	$ –	$ –	$ 2,340
Investments	–	–	265	265

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 9,809	$ –	$ –	$ 9,809

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

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

10. 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 September 30, 2019:

(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 table summarizes the number of customers that individually comprise greater than 10% of total revenue or total accounts receivable and their aggregate percentage of the Company's total revenue and accounts receivable:

	Revenue	
	Number of customers	% of total
Three months ended September 30, 2019	4	77
Nine months ended September 30, 2019	4	71
Three months ended September 30, 2018	3	65
Nine months ended September 30, 2018	4	68

10. Financial instruments and capital management (continued):

	Accounts receivable	
	Number of customers	% of total
As at September 30, 2019	3	80
As at December 31, 2018	1	84

(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.

10. Financial instruments and capital management (continued):

(iii) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and Australian dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future. The Company has foreign currency exposure with respect to cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars and Australian dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars and Australian dollars. During the three and nine months ended September 30, 2019, the Company recorded a foreign exchange gain of $40 and a foreign exchange loss of $147 (2018 - loss of $171 and a gain of $239), respectively. At September 30, 2019, U.S. dollar-denominated net monetary assets totalled approximately U.S. $4,224 (2018 - U.S. $8,017). At September 30, 2019, Australian dollar-denominated net monetary assets totalled approximately AUD $409 (2018 - AUD $1,194).

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 $596 due to the fluctuation and this would be recorded in the condensed interim statements of comprehensive loss.

(iv) Interest rate risk:

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

(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.

10. Financial instruments and capital management (continued):

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.

11. Investments

Under IFRS 9, for equity securities that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in other comprehensive income ("OCI"), while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company has elected to account for equity securities within this manner.

In May 2019, the Company acquired 470,589 Voting Common Shares of Gradient Boosted Investments Inc. ("GBI"), a privately held entity incorporated in Canada, representing 2.42% of the issued and outstanding Voting Common Shares of BGI for a total purchase consideration of U.S. $200. The Company has irrevocably elected to present subsequent changes in the fair value of the investment in GBI through OCI.

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

12. 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 ("CODM"), evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the segmented reporting in these condensed interim financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
United States of America	$ 3,152	$ 4,051	$ 9,543	$ 10,613
Canada	89	223	424	599
EMEA	392	774	1,723	3,976
Asia Pacific	391	272	975	1,074
	$ 4,024	$ 5,320	$ 12,665	$ 16,262

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