

Condensed Interim Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three and nine months ended September 30, 2020 and 2019
(Unaudited)

NEXJ SYSTEMS INC.

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

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,706	\$ 5,123
Accounts receivable	2,976	5,475
Prepaid expenses and other assets	1,505	1,757
Total current assets	10,187	12,355
Non-current assets:		
Property and equipment	834	969
Right-of-use assets (note 3)	1,316	1,747
Goodwill	1,753	1,753
Investments	267	260
Contract costs (note 4)	64	136
Other assets	520	663
Total non-current assets	4,754	5,528
Total assets	\$ 14,941	\$ 17,883
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,857	\$ 1,969
Deferred revenue	4,765	6,550
Lease liability (note 5)	955	715
Total current liabilities	8,577	9,234
Non-current liabilities:		
Accrued liabilities	109	117
Deferred revenue	218	281
Lease liability (note 5)	1,324	2,045
Total non-current liabilities	1,651	2,443
Total liabilities	10,228	11,677
Shareholders' equity:		
Share capital (note 6)	82,915	82,915
Share purchase loans	(3,598)	(3,598)
Contributed surplus (note 7)	9,276	8,874
Accumulated other comprehensive income (loss)	(2)	(9)
Deficit	(83,878)	(81,976)
Total shareholders' equity	4,713	6,206
Total liabilities and shareholders' equity	\$ 14,941	\$ 17,883

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
License and subscription fees	\$ 60	\$ 432	\$ 110	\$ 1,053
Professional services	2,078	1,279	5,721	4,640
Maintenance and support	2,197	2,313	6,772	6,972
	4,335	4,024	12,603	12,665
Cost of revenue	966	1,310	3,190	5,080
Gross profit	3,369	2,714	9,413	7,585
Expenses:				
Research and development	1,094	2,100	4,465	7,343
Sales and marketing	583	884	1,941	2,364
General and administrative	1,064	1,543	3,967	4,158
Restructuring costs (note 8)	–	–	960	614
	2,741	4,527	11,333	14,479
Income (loss) from operations	628	(1,813)	(1,920)	(6,894)
Foreign exchange gain (loss)	(60)	40	74	(147)
Finance income	2	21	45	97
Finance expense (note 3)	(31)	(36)	(101)	(112)
	(89)	25	18	(162)
Income (loss) for the period	539	(1,788)	(1,902)	(7,056)
Other comprehensive income (loss):				
Items that will not be reclassified to profit or loss:				
Unrealized gain (loss) on equity securities	(5)	3	7	(4)
Income (loss) for the period and comprehensive income (loss)	\$ 534	\$ (1,785)	\$ (1,895)	\$ (7,060)
Earnings (loss) per share (note 9):				
Basic and diluted	\$ 0.03	\$ (0.09)	\$ (0.09)	\$ (0.34)
Weighted average number of common shares outstanding, in thousands (note 9):				
Basic and diluted	21,108	20,557	20,817	20,540

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

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

Nine months ended September 30, 2019	Common shares		Share purchase loans*	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total share- holders' equity
	Number*	Amount					
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 7(a))	-	-	-	333	-	-	333
Deferred share unit expense (note 7(b))	-	-	-	118	-	-	118
Exercise of employee stock options (note 7(a))	4	20	-	(22)	-	-	(2)
Repurchase of common shares (note 6)	(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.

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,	
	2020	2019
Cash flows from (used in) operating activities:		
Net loss for the period	\$ (1,902)	\$ (7,056)
Adjustments for:		
Depreciation and amortization of property and equipment	219	258
Depreciation of right-of-use assets	431	460
Changes in contract costs	72	162
Share-based payment expense	184	333
Deferred share unit expense (note 7(b))	218	118
Finance income	(45)	(97)
Finance expense	101	112
Foreign exchange loss	90	42
Change in non-cash operating working capital:		
Accounts receivable	2,499	2,590
Prepaid expenses and other assets	415	(505)
Accounts payable and accrued liabilities	880	(117)
Deferred revenue	(1,864)	135
Net cash flows from (used in) operating activities	1,298	(3,565)
Cash flows used in financing activities:		
Repurchase of common shares	–	(10)
Costs of exercise of stock options	–	(2)
Payment of lease liability (completed contract)	–	(12)
Payment of lease liability (ongoing contract)	(586)	(367)
Net cash flows used in financing activities	(586)	(391)
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(84)	(103)
Purchase of equity investments	–	(269)
Interest received	45	97
Net cash flows used in investing activities	(39)	(275)
Effects of exchange rates on cash and cash equivalents	(90)	(42)
Increase (decrease) in cash and cash equivalents	583	(4,273)
Cash and cash equivalents, beginning of period	5,123	10,951
Cash and cash equivalents, end of period	\$ 5,706	\$ 6,678
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid	\$ –	\$ 18

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2020 and 2019
(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, 2019 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, 2019 and 2018.

These condensed interim financial statements were approved by the Board of Directors on October 29, 2020.

(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.

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Notes to Condensed Interim Financial Statements (continued)
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3. Right-of-use assets:

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

	Head lease	Offices subleases	Total right-of-use assets
Balance, beginning of period	\$ 2,306	\$ (559)	\$ 1,747
Depreciation	(576)	145	(431)
Balance, end of period	\$ 1,730	\$ (414)	\$ 1,316

As a result of applying IFRS 16, Leases ("IFRS 16"), the Company has recognized depreciation and accretion expenses, instead of lease expense. During the three and nine months ended September 30, 2020, the Company recognized \$146 and \$431 (2019 - \$154 and \$460), respectively, of depreciation expense.

4. Contract costs:

	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 136	\$ 227
Contract costs incurred	3	120
Amortization	(75)	(211)
Balance, end of period	\$ 64	\$ 136

The Company's total capitalized contract costs net of accumulated depreciation are \$64 as at September 30, 2020 (December 31, 2019 - \$136) and relates to incremental commission fees paid to certain sales and marketing employees as a result of obtaining client contracts.

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Notes to Condensed Interim Financial Statements (continued)
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4. Contract costs (continued):

These costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. 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, 2020, amortization amounting to \$14 and \$75 (2019 - \$53 and \$162) was recognized as part of sales and marketing in the condensed interim statements of comprehensive income (loss).

5. Lease liability:

The Company's leases are for office space. These leases contain no renewal options.

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

Balance, beginning of period	\$ 2,760
Interest on lease liabilities	106
Lease payments	(587)
Balance, end of period	2,279
Less current portion	(955)
Non-current portion	\$ 1,324

During the three and nine months ended September 30, 2020, the Company recognized \$33 and \$106 (2019 - \$36 and \$112), respectively, of accretion expense from these leases.

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6. Share capital:

The Company had a Normal Course Issuer Bid ("NCIB") in place in 2019 and repurchased its common shares through the NCIB.

During the three and nine months ended September 30, 2020, the Company repurchased and cancelled nil and nil (2019 - nil and 8,808), respectively, of its common shares under the NCIB for an aggregate purchase price of nil and nil (2019 - \$10 and \$10), respectively, which was recorded as a reduction of share capital.

7. Share-based payment arrangements:

At September 30, 2020, 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, 2020 was \$55 and \$184, respectively (2019 - \$92 and \$333).

The following table outlines the activity for stock options for the nine months ended September 30, 2020 and 2019:

	2020		2019	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	2,047	\$ 1.76	1,951	\$ 1.87
Granted	500	0.45	355	1.25
Exercised	—	—	(20)	1.35
Cancelled	(244)	1.54	(180)	1.87
Expired	(66)	3.67	—	—
Outstanding, end of period	2,237	1.44	2,106	1.77
Exercisable, end of period	1,387	\$ 1.74	1,371	\$ 1.79

NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)
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7. Share-based payment arrangements (continued):

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, 2020, nil and nil (2019 - nil and 20,000) options were exercised on a cashless settlement basis resulting in the issuance of nil and nil (2019 - nil and 3,864) common shares of the Company.

At September 30, 2020, 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	520	6.56
\$1.01 - \$2.00	1,438	3.52
\$2.01 - \$3.00	269	2.69
\$3.01 - \$4.00	—	—
\$4.01 - \$4.50	10	3.48
	2,237	4.12

(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 income (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 now has a reserve of 1,600,000 common shares, an increase of 1,000,000 common shares, as approved by the shareholders and TSX on June 25, 2020.

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Notes to Condensed Interim Financial Statements (continued)
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7. Share-based payment arrangements (continued):

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

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

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

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.

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.

NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)
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7. Share-based payment arrangements (continued):

The following table outlines the activity for the DSUs for the nine months ended September 30, 2020 and 2019:

	2020		2019	
	Number (000s)	Amount	Number (000s)	Amount
Outstanding, beginning of period	650	\$ 1,402	362	\$ 1,167
Granted	550	275	288	225
Exercised	(88)	(38)	–	–
Changes in fair value of cash-settled award	–	(25)	–	33
Changes in fair value as a result of award modification	–	(52)	–	–
Outstanding, end of period	1,112	\$ 1,562	650	\$ 1,425
Comprising:				
Equity-settled award	944	\$ 1,453	513	\$ 1,285
Cash-settled award	168	109	137	140

8. Restructuring costs:

During the three and nine months ended September 30, 2020, the Company executed a restructuring plan whereby certain employees of the Company were severed and an amount of nil and \$960 (2019 - nil and \$614) was recorded as restructuring costs, which relates primarily to employee severance costs. During the three and nine months ended September 30, 2020, the Company paid \$229 and \$696 (2019 - \$232 and \$491) in restructuring costs. The remaining amount of \$264 recorded under accounts payable and accrued liabilities on the condensed interim statements of financial position as at September 30, 2020, will be paid out within a one-year period.

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Notes to Condensed Interim Financial Statements (continued)
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9. Earnings (loss) per share:

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Numerator:				
Income (loss) for the period	\$ 539	\$ (1,788)	\$ (1,902)	\$ (7,056)
Denominator:				
Weighted average number of shares (in thousands):				
Basic and diluted	21,108	20,557	20,817	20,540
Earnings (loss) per share:				
Basic and diluted	\$ 0.03	\$ (0.09)	\$ (0.09)	\$ (0.34)

During the three and nine months ended September 30, 2020, there were nil and nil (2019 - nil and 21,548) weighted average outstanding stock options excluded from the computation of diluted earnings (loss) per share.

10. 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. 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 statements of comprehensive loss for the year ended December 31, 2016.

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Notes to Condensed Interim Financial Statements (continued)
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10. Related party transactions (continued):

(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 statements of comprehensive loss for the year ended December 31, 2016.

On June 24, 2020, the Company, NexJ Health Inc. and NexJ Health Holdings Inc. entered into a separation agreement effective June 15, 2020, terminating the interim loan agreement, the shared services agreement as well as the software license agreements between the three parties. As per the terms of separation, the Company wrote off \$994 under the interim loan agreement and \$636 under the shared services agreement. As noted above, both of these amounts were provided for in the statements of comprehensive loss for the year ended December 31, 2016 and there were no further amounts written off in the three and nine months ended September 30, 2020.

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 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 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 \$77 and \$248 (2019 - \$104 and \$313) for the three and nine months ended September 30, 2020, respectively. During the three and nine months ended September 30, 2020, the Company has received payment of \$211 and \$426, respectively, from NexJ Health Inc.. The remaining balance of \$468 is recorded under prepaid expenses and other assets in the condensed interim statements of financial position.

NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements (continued)
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(Unaudited)

11. 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, 2020 and December 31, 2019:

Classification	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Amortized cost:				
Cash equivalents	\$ 3,176	\$ 3,176	\$ 1,198	\$ 1,198
Accounts receivable	2,976	2,976	5,475	5,475
FVTOCI:				
Investments	267	267	260	260
Financial liabilities:				
Amortized cost:				
Accounts payable and accrued liabilities	2,966	2,966	2,086	2,086
Lease liability	2,279	2,279	2,760	2,760

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

Fair value measurements:

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

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

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

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11. Financial instruments and capital management (continued):

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. Financial assets and financial liabilities measured at fair value as at June 30, 2020 and December 31, 2019 in the condensed interim financial statements are summarized below:

September 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	\$ 3,176	\$ –	\$ –	\$ 3,176
Investments	–	–	266	266

December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	\$ 1,198	\$ –	\$ –	\$ 1,198
Investments	–	–	260	260

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

(b) Market risk:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of these risks as at September 30, 2020:

(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.

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

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11. Financial instruments and capital management (continued):

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

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

	Revenue	
	Number of customers	% of total
Three months ended September 30, 2020	3	65
Nine months ended September 30, 2020	4	73
Three months ended September 30, 2019	4	77
Nine months ended September 30, 2019	4	71

	Accounts receivable	
	Number of customers	% of total
As at September 30, 2020	3	86
As at December 31, 2019	3	85

(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.

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11. Financial instruments and capital management (continued):

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

(iii) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and Australian dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future. The Company has foreign currency exposure with respect to cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars and Australian dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars and Australian dollars. During the three and nine months ended September 30, 2020, the Company recorded a foreign exchange loss of \$60 and a foreign exchange gain of \$74 (2019 - gain of \$40 and a foreign exchange loss of \$147), respectively. At September 30, 2020, U.S. dollar-denominated net monetary assets totalled approximately U.S. \$3,309 (2019 - U.S. \$4,224). At September 30, 2020, Australian dollar-denominated net monetary assets totalled approximately AUD \$179 (2019 - AUD \$409).

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 \$458 due to the fluctuation and this would be recorded in the condensed interim statements of comprehensive income (loss).

(iv) Interest rate risk:

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

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2020 and 2019
(Unaudited)

11. Financial instruments and capital management (continued):

(c) Capital management:

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

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

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

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

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2020 and 2019
(Unaudited)

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, 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,	
	2020	2019	2020	2019
Americas	\$ 2,908	\$ 3,241	\$ 8,869	\$ 9,967
EMEA	1,162	392	2,755	1,723
Asia Pacific	265	391	979	975
	<u>\$ 4,335</u>	<u>\$ 4,024</u>	<u>\$ 12,603</u>	<u>\$ 12,665</u>

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