Condensed Interim Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three months ended March 31, 2011 and 2010
(Unaudited)

NEXJ SYSTEMS INC.

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

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 24,723	$ 23,942	$ 34
Short-term investments	–	5,070	3,597
Accounts receivable	4,725	6,491	1,000
Investment tax credits receivable	4,463	4,063	3,822
Prepaid expenses and other assets	1,238	433	459
Total current assets	35,149	39,999	8,912
Non-current assets:			
Property and equipment	2,058	1,858	631
Other assets	251	307	260
Total non-current assets	2,309	2,165	891
Total assets	$ 37,458	$ 42,164	$ 9,803
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 4,448	$ 4,286	$ 1,787
Current portion of obligations under capital leases	68	67	63
Deferred revenue	3,173	5,727	831
Total current liabilities	7,689	10,080	2,681
Non-current liabilities:			
Accrued liabilities	679	1,513	1,414
Obligations under capital leases	23	41	108
Total non-current liabilities	702	1,554	1,522
Total liabilities	8,391	11,634	4,203
Shareholders' equity (note 5):			
Share capital	39,213	35,455	10,372
Share purchase loans	(3,745)	–	–
Contributed surplus	3,146	2,196	480
Deficit	(9,547)	(7,121)	(5,252)
Total equity	29,067	30,530	5,600
Guarantees (note 8)			
Subsequent events (note 11)			
Total liabilities and equity	$ 37,458	$ 42,164	$ 9,803

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue:		
License fees	$ 3,736	$ 32
Professional services	3,501	2,034
Maintenance and support	508	513
	7,745	2,579
Expenses*:		
Professional service costs	2,181	924
Research and development, net	3,352	1,446
Sales and marketing	2,245	932
General and administrative	1,920	840
	9,698	4,142
Loss before the undernoted	(1,953)	(1,563)
Foreign exchange loss	(515)	(72)
Finance income	43	1
Finance costs	(1)	(2)
	(473)	(73)
Loss before income taxes	(2,426)	(1,636)
Income taxes	–	–
Net loss and comprehensive loss for the period	$ (2,426)	$ (1,636)
Loss per share (note 9):		
Basic	$ (0.16)	$ (0.16)
Diluted	(0.16)	(0.16)
*Share-based payment expense has been included in expenses as follows:		
Professional service costs	$ 116	$ 31
Research and development, net	221	31
Sales and marketing	360	19
General and administrative	257	21
	$ 954	$ 102

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Statement of Changes in Equity
(Expressed in thousands of Canadian dollars and shares)
(Unaudited)

	Common shares Number	Common shares Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2011	14,704	$ 35,455	$ –	$ 2,196	$ (7,121)	$ 30,530
Comprehensive loss for the period	–	–	–	–	(2,426)	(2,426)
Share-based payment expense (note 5)	–	–	–	954	–	954
Exercise of stock options	3	13	–	(4)	–	9
Issuance of common shares to employees* (note 5)	–	3,745	(3,745)	–	–	–
Balance, March 31, 2011	14,707	$ 39,213	$ (3,745)	$ 3,146	$ (9,547)	$ 29,067

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2011, 971 common shares were legally issued and outstanding to employees and were included to bring the outstanding common shares to 15,678.

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Statement of Changes in Equity
(Expressed in thousands of Canadian dollars and shares)
(Unaudited)

	Common shares Number	Common shares Amount	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2010	9,995	$ 10,372	$ 480	$ (5,252)	$ 5,600
Comprehensive loss for the period	–	–	–	(1,636)	(1,636)
Share-based payment expense (note 5)	–	–	102	–	102
Exercise of stock options	4	11	(1)	–	10
Issuance of common shares to employees	213	744	–	–	744
Balance, March 31, 2010	10,212	$ 11,127	$ 581	$ (6,888)	$ 4,820

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, 2011	Three months ended March 31, 2010
Cash flows from operating activities:		
Net loss and comprehensive loss for the period	$ (2,426)	$ (1,636)
Adjustments for:		
Depreciation	182	79
Share-based payment expense	954	102
Finance income	(43)	(1)
Finance costs	1	2
Foreign exchange loss	343	1
Change in non-cash operating working capital:		
Accounts receivable	1,766	(5,784)
Prepaid expenses and other assets	(252)	209
Investment tax credits receivable	(400)	(508)
Accounts payable and accrued liabilities	(877)	414
Deferred revenue	(2,554)	5,884
Net cash flows used in operating activities	(3,306)	(1,238)
Cash flows from financing activities:		
Obligations under capital leases	(17)	(15)
Proceeds from exercise of stock options	9	10
Issuance of common shares	–	744
Financing costs relating to the IPO	(553)	–
Interest paid	(1)	(2)
Net cash flows from (used in) financing activities	(562)	737
Cash flows from investing activities:		
Purchase of property and equipment	(177)	(439)
Redemption of short-term investments	4,823	3,597
Interest received	43	1
Decrease in other long-term assets	56	–
Net cash flows from investing activities	4,745	3,159
Effects of exchange rates on cash and cash equivalents	(96)	(1)
Increase in cash and cash equivalents	781	2,657
Cash and cash equivalents, beginning of period	23,942	34
Cash and cash equivalents, end of period	$ 24,723	$ 2,691
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	$ 205	$ 25

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 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6.

The Company is a provider of cloud-based enterprise customer relationship management solutions primarily for the financial services, insurance and healthcare industries.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its annual financial statements as at and for the year ending December 31, 2011.

These are the Company's first condensed interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), including IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). GAAP differs in some policies from IFRS and, in accordance with the transition rules, the Company retroactively applied IFRS to its comparative data for 2010.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of June 14, 2011, the date the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim financial statements, including the transition adjustments recognized on change-over to IFRS.

2. Basis of preparation (continued):

These condensed interim financial statements should be read in conjunction with the Company's 2010 annual financial statements prepared in accordance with GAAP and in consideration of the IFRS transition disclosures included in note 4 to these condensed interim financial statements.

In note 4, the Company has presented reconciliations and descriptions of the effect of the change-over from GAAP to IFRS on equity, net loss and comprehensive loss.

Reclassification of comparative financial information:

The Company has reclassified in its statement of financial position as at January 1, 2010 and December 31, 2010 in respect of certain amounts payable under its annual incentive compensation plan with senior executives from current liabilities to non-current liabilities based on the expected timing of settlement. The reclassification resulted in a decrease of accounts payable and accrued liabilities and a corresponding increase of non-current liabilities totalling $1,414 and $1,513 as at January 1, 2010 and December 31, 2010, respectively. There were no material adjustments reflected in the Company's financial statements as a result of the reclassification for the periods noted.

(b) Basis of measurement:

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

Presentation of the condensed interim statements of financial position differentiates between current and non-current assets and liabilities. The condensed interim statements of comprehensive income are presented using the function classification for expenses.

(c) Functional and presentation currency:

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars (except per share amounts) has been rounded to the nearest thousand.

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Key areas of estimation and judgment, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include the valuation of accounts receivable, estimation of useful lives of property and equipment, valuation of investment tax credits receivable, inputs used in the computation of share-based payment expense, including volatility and expected lives of the awards, and valuation of common shares of the Company for various capital transactions prior to the Company's shares becoming publicly traded. In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Estimates of the percentage of completion for customer projects are based upon current actual and forecasted information and contractual terms.

3. Significant accounting policies:

Significant changes in the assumptions, including those with respect to future business plans and cash flows, could materially change the recorded carrying amounts. Refer to significant accounting policies below for further information with respect to these significant estimates and assumptions.

(a) Revenue recognition:

Revenue represents the fair value of consideration received or receivable from customers for licenses and services provided by the Company, net of discounts and sales taxes. The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements and the provision of related professional services, including installation, integration and post-contract customer support ("PCS").

3. Significant accounting policies (continued):

The Company's software license agreements are multiple-element arrangements as they may also include professional services and PCS. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices or by using the residual method. A delivered element is considered a separate unit of accounting if it has value to the customer on a stand-alone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

Revenue from the license of software involving significant implementation or customization essential to the functionality of the software is recognized under contract accounting using the percentage-of-completion method to measure the progress to completion, with consideration for customer acceptance provisions, the timing of payments, and the Company's history with similar arrangements. The Company uses the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each contract. Revisions in estimates are included in earnings in the period in which changes occur in the circumstances on which the estimates were based or as a result of new information.

License revenue, when services are not essential to the functionality of the software, is recognized when the Company has an executed agreement, the software has been delivered, acceptance is probable, the amount of the fee to be paid by the customer is fixed and determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement.

Professional services revenue, including implementation and customization of software is recognized by the stage of completion of the transaction at the statements of financial position dates determined using the percentage-of-completion method noted above. Installation and integration services revenue, when not essential to the functionality of the software, is recognized as delivered to the customer, based on the prices charged when these services are sold separately to customers.

3. Significant accounting policies (continued):

PCS revenue is recognized ratably over the term of the support agreement based on the price charged for the same or similar PCS when sold in stand-alone PCS renewals with customers, as substantiated by contractual renewal rates and the Company's PCS renewal experience. Revenue not recognized in profit or loss under this policy is classified as deferred revenue in the statements of financial position when amounts have been billed in advance.

The Company also derives software license revenue from subscription based arrangements. Subscription revenue is recognized rateably over the applicable customer contract term when delivery has occurred, the sales price is fixed and determinable and collection is reasonably assured.

Revenue from sales to resellers is recognized when the software license is sold to the end-user customer, and when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured. These customers generally do not have rights of return.

Amounts are generally billable upon reaching certain performance milestones, as defined by individual contracts. Billings rendered in advance of performance under contracts are recorded as deferred revenue.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, include highly liquid instruments with original maturities of three months or less and are classified as held-for-trading.

3. Significant accounting policies (continued):

(c) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of property and equipment at January 1, 2010, the transition date to IFRS, was determined by reference to its carrying value under GAAP. Depreciation is recognized over the estimated useful lives of the assets using the following bases and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	30%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%
Leasehold improvements	Straight line	Over shorter of estimated useful life and lease term

Upon disposition, the cost and related accumulated depreciation and accumulated impairment losses, if any, are removed from the accounts and the resulting gain or loss is reflected in profit or loss. Expenditures for maintenance and repairs are charged to expense as incurred.

Assets under capital leases are initially recorded at the present value of the minimum lease payment at the inception of the lease.

(d) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense in the period in which they are incurred. Development costs that are expected to provide future benefits with reasonable certainty and meet all the criteria for deferral are capitalized. No development costs have been capitalized at March 31, 2011 and 2010.

3. Significant accounting policies (continued):

(e) Investment tax credits:

The Company is entitled to certain refundable and non-refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities performed in Canada. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the statements of comprehensive loss or as a reduction of the related asset's cost for items capitalized in the statement of financial position when the amount is reliably estimable and realization is reasonably assured.

(f) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(ii) Short-term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

(iii) Annual incentive compensation plan:

The Company has an annual incentive compensation plan (the "Plan") with senior executives under which certain amounts are payable over a three-year period. In such instances, the amounts payable more than 12 months after the reporting date are reported as a non-current liability and discounted to its present value. The costs of the Plan are recognized in the period in which the compensation is earned. The discount rate used is the yield at the reporting date on AA credit-rated bonds or similar instruments that have maturity dates approximating the payment terms of the Plan.

3. Significant accounting policies (continued):

(g) Share-based payment transactions:

The Company has a share-based payment plan under which the Company issues stock options. Stock options generally vest over a four-year vesting period with 25% of the options vested and exercisable after the first year and the remainder vested and exercisable in 12 equal quarterly instalments over the remaining three years. The Company applies a fair value method of accounting to each instalment of stock options granted to employees.

The grant date fair value of stock options granted to employees is recognized as compensation expense, with a corresponding increase to contributed surplus, over the period that the employees become unconditionally entitled to the options. The expense is adjusted to reflect the estimated number of options expected to vest at the end of the vesting period. When options are exercised, the proceeds as well as the related amount in contributed surplus are credited to share capital. The Company uses the Black-Scholes option pricing model to determine fair value of stock options at the grant date. Measurement inputs include the price of shares on the measurement date, exercise price of the option, expected volatility, weighted average expected life of the option (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate.

(h) Loss per share:

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss for the period by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the period. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share unit options calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted loss per share when the effect would be anti-dilutive.

3. Significant accounting policies (continued):

(i) Income taxes:

The Company uses the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered and settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in profit or loss in the period that includes the enactment or substantive enactment date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies at the reporting dates are translated to the functional currency at the exchange rates at those dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated at rates of exchange at each transaction date. Revenue and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case, historical rates are applied. Foreign exchange gains or losses on translation are recognized in profit or loss.

3. Significant accounting policies (continued):

(k) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(l) Financial instruments:

(i) Recognition, classification and measurement:

Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. Significant accounting policies (continued):

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition.

(a) Held-for-trading:

The Company has classified its cash equivalents and short-term investments as held-for-trading. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in profit or loss in the period in which they arise. Short-term investments consist of instruments with original maturities greater than three months but less than one year when purchased.

(b) Loans and receivables:

Loans and receivables which comprise trade receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

(c) Other financial liabilities:

The Company has classified its accounts payable and accrued liabilities and obligations under capital leases as other financial liabilities. Financial liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

3. Significant accounting policies (continued):

(ii) Impairment:

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued):

(m) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as finance cost. The Company does not have any such provisions to be recorded in the statement of financial position at March 31, 2011.

(n) Finance income and finance costs:

Finance income comprises interest income on cash equivalents and short-term investments recognized in profit or loss as it accrues, using the effective interest method. Finance costs comprise interest expense on borrowings that are recognized in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Recent accounting pronouncements:

IFRS 9, *Financial Instruments*:

In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

4. Explanation of transition to IFRS:

As stated in note 2(a), these are the Company's first condensed interim financial statements prepared in accordance with IAS 34.

The accounting policies set out in note 3 have been applied in preparing the condensed interim financial statements for the three months ended March 31, 2011, the comparative information presented in these condensed interim financial statements for the three months ended March 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's transition date to IFRS) and statements of financial position at March 31, 2010 and December 31, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. The estimates previously made by the Company under GAAP were not revised for IFRS except where necessary to reflect differences in accounting policies.

(a) Summary of exceptions and exemptions:

IFRS 1 sets out the requirements that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. To assist companies in the transition process, the standard permits a number of specified exemptions from the general principle of retrospective restatement.

The Company has considered the following specified exemptions from the general principle of retrospective application as follows:

(i) Stock-based compensation:

For equity-settled stock-based compensation transactions, IFRS 1 provides for an exemption to the retrospective application of IFRS 2, *Share-based Payment,* for previously issued equity instruments that are fully vested prior to the date of transition. The Company has elected to utilize this exemption.

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

4. Explanation of transition to IFRS (continued):

(ii) Deemed cost exemption:

The Company has elected to use the historical cost basis of accounting at transition to value the property and equipment, instead of remeasuring to deemed cost. Since the Company has applied the carrying value under GAAP at the IFRS date of transition, it is not required to re-value these assets in subsequent periods.

The following tables set forth, for the periods indicated, a reconciliation from GAAP to IFRS, of the Company's equity, net loss and comprehensive loss for the period:

Reconciliation of equity:

	Note	December 31, 2010	March 31, 2010	January 1, 2010
Equity in accordance with GAAP		$ 30,530	$ 4,820	$ 5,600
Share-based payment expense - increase in deficit	(b)	(1,243)	(86)	(314)
Increase in contributed surplus	(b)	1,238	86	314
Increase in share capital	(b)	5	–	–
Equity in accordance with IFRS		$ 30,530	$ 4,820	$ 5,600

Reconciliation of net loss and comprehensive loss for the period:

	Note	Three months ended March 31, 2010	Year ended December 31, 2010
Net loss and comprehensive loss in accordance with GAAP		$ (1,550)	$ (626)
Share-based payment expense	(b)	(86)	(1,243)
Net loss and comprehensive loss in accordance with IFRS		$ (1,636)	$ (1,869)

4. Explanation of transition to IFRS (continued):

(b) Transitional adjustment:

Share-based payment transactions:

Under GAAP, each grant was treated as a single composite arrangement and compensation expense was determined at the time of grant and amortized over the vesting period, generally four years, on a straight-line basis. In addition, under GAAP, the Company used the minimum value method to measure the share-based payment expense for awards to employees and accounted for forfeitures as they occurred. IFRS requires a separate calculation of compensation expense for awards that vest in instalments. Under IFRS, compensation expense differs from GAAP based on the changing fair values used for each instalment and the timing of recognizing compensation expense. Generally, this results in accelerated expense recognition under IFRS. In addition, under IFRS, the Company is required to include expected volatility of the underlying shares in the calculation of grant date fair values as well as an estimated forfeiture rate as part of the computation of the share-based payment expense. Since the Company was operating as a private company and the shares were not traded, an implied volatility was calculated based on actual experience of similar companies with traded equity instruments. The Company applied an implied weighted average annual volatility of 36.45% to account for the transition adjustment as at January 1, 2010. On the transition date to IFRS, the Company recognized additional compensation expense of $314, which increased the deficit with a corresponding increase to contributed surplus. Total equity was not affected. The Company applied an implied weighted average annual volatility of 48.15% for the year ended December 31, 2010. As a result, under IFRS as compared to GAAP, stock-based compensation expense for the year ended December 31, 2010 increased by $1,243 (three months ended March 31, 2010 - $86).

(c) Adjustments to the statement of cash flows for 2010:

Under GAAP, interest received and interest paid were included as part of operating activities, whereas under IFRS, interest received is included within investing activities and interest paid has been included within financing activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

5. Shareholders' equity:

(a) Share capital:

(i) On March 28, 2011, in preparation of its initial public offering ("IPO"), the Company entered into loan and share pledge agreements with certain employees and officers ("Exercise Persons") 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 options as of March 28, 2011 that were originally scheduled to vest on or prior to December 31, 2011. The Company provided $3,745 in share purchase loans to facilitate the issuance of 970,898 common shares as a result of the acceleration of the exercising of the employee 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.

In addition, the Company and the Exercise Persons entered into a non-binding retention bonus agreement dated March 28, 2011, pursuant to which each Exercise Person was allocated a retention bonus in the amount of their respective share purchase loan, for which at the sole discretion of the Company, amounts could vest in a future period and be paid in instalments over a three-year period.

(ii) As part of its IPO on the Toronto Stock Exchange, the Company filed its preliminary prospectus with Canadian securities commissions on March 31, 2011. As at March 31, 2011, the Company incurred financing costs of $553 relating to the IPO, which have been included within prepaid expenses and other assets.

5. Shareholders' equity (continued):

(b) Share-based payment transactions:

(i) The total share-based payment expense and the amount credited to contributed surplus, including the adjustments relating to the acceleration of the employee stock options, as discussed below, for the three months ended March 31, 2011 was $954 (2010 - $102).

(ii) The Company accelerated the vesting of certain employee stock options enabling them to be exercised as of March 28, 2011. As a result, the Company recorded additional share-based payment expense of $330 for the three months ended March 31, 2011.

The following table outlines the activity for stock options for the three months ended March 31, 2011 and 2010:

	2011		2010	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	2,174	$ 4.60	783	$ 2.65
Granted	–	–	123	3.50
Exercised	(974)	3.85	(2)	2.50
Cancelled	(20)	5.23	(2)	2.50
Outstanding, end of period	1,180	5.20	902	2.77
Exercisable	93	2.92	379	2.50

5. Shareholders' equity (continued):

At March 31, 2011, 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)
$2.50	107	6.99
3.50	160	8.51
5.75	654	9.17
6.00	259	9.71
	1,180	9.00

(iii) At March 31, 2011, 970,898 common shares for proceeds of $3,745 were held as security by the Company with respect to the share loan and pledge agreements outlined in note 5(a)(i).

6. Financial instruments and capital management:

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, 2011:

(a) 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.

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

6. Financial instruments and capital management (continued):

The Company's credit risk is primarily attributable to its accounts receivable and short-term investments. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. 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 March 31, 2011	2	79
Three months ended March 31, 2010	3	91

	Accounts receivable	
	Number of customers	% of total
As at March 31, 2011	4	89
As at December 31, 2010	2	84

(b) Liquidity risk:

Liquidity risk is the risk that the Company is not 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.

6. Financial instruments and capital management (continued):

The majority of the Company's financial liabilities comprise accounts payable and accrued liabilities. Subsequent to period end, the Company filed its final prospectus with the securities regulatory authorities in Canada relating to the IPO of 4,850,000 common shares for gross proceeds of $43,650 (note 11(c)). Given the Company's available liquid resources as compared to the liabilities, management assesses the Company's liquidity risk to be low.

(c) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which is the U.S. 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 an unused foreign exchange credit line in the amount of $500. The Company has foreign currency exposure with respect to items denominated in foreign currencies. During the three-month period ended March 31, 2011, the Company recorded a foreign exchange loss of $515 (2010 - $72).

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 $2,081 due to the fluctuation and this would be recorded in the statement of comprehensive loss.

(d) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its short-term investments and obligations under capital leases. The impact of change in interest rates would not be material.

(e) Capital management:

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

6. Financial instruments and capital management (continued):

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 providing 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 equity balance.

The Company does not have any externally imposed capital requirements.

7. Related party transactions:

The Company's Chief Executive Officer is a director of Canadian Association for People-Centred Health ("CAPCH"), a not-for-profit organization, and is actively involved in planning, directing and controlling the activities of CAPCH. During the three months ended March 31, 2011, the Company expensed $9 (2010 - $9) being the carrying amount, which is included in sales and marketing to support the activities of CAPCH.

8. Guarantees:

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated but is typically limited to the proceeds from sales contracts. Historically, the Company has made no payments relating to these indemnifications, and the Company is not subject to any pending litigation on this matter.

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

9. Loss per share:

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

	Three months ended March 31, 2011	2010
Numerator:		
Net loss for the period	$ (2,426)	$ (1,636)
Denominator:		
Weighted average number of shares:		
Basic	14,705	10,078
Diluted	14,705	10,078
Loss per share:		
Basic	$ (0.16)	$ (0.16)
Diluted	(0.16)	(0.16)

During the three months ended March 31, 2011, there were 1,632 (2010 - 875) weighted average outstanding stock options and common share unit options, as applicable, excluded from the computation of diluted loss per share as they were anti-dilutive.

10. Segment reporting:

The Company is organized and operates as one operating segment for purposes of making operating decisions and assessing performance. The chief operating decision makers evaluate performance, make operating decisions, and allocate resources based on financial data consistent with the presentation in these condensed interim financial statements.

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

10. Segment reporting (continued):

The following information provides the required enterprise-wide disclosures:

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

	Three months ended March 31, 2011	2010
United States of America	$ 6,461	$ 2,073
Canada	1,184	506
Europe	100	–
	$ 7,745	$ 2,579

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

11. Subsequent events:

(a) The Company entered into an amended lease agreement with its landlord for additional office space to be assumed in 2011 through an operating lease. The amended lease is for a period of seven years, with an estimated minimum lease rental commitment of $7,222.

(b) On April 21, 2011, the Board of Directors approved an amended stock option plan (the "2011 Option Plan"), effective upon closing of the IPO. All options granted under the existing option plan and all new options granted under the 2011 Option Plan are intended to be governed by the 2011 Option Plan. The maximum aggregate number of common shares that may be issued pursuant to options granted under the 2011 Option Plan (including common shares issuable on the exercise of outstanding options) shall not exceed 10% of the outstanding common shares at the relevant grant date.

(c) The Company filed its final prospectus dated May 11, 2011 with the securities regulatory authorities in Canada relating to the IPO of 4,850,000 common shares issued from treasury at a price of $9.00 per share for gross proceeds of $43,650. The estimate of expenses, including underwriters' fees, on closing of the IPO was approximately $3,450.