NEXJ SYSTEMS INC.

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

This management's discussion and analysis of financial condition and results of operations (the "MD&A") should be read in conjunction with the unaudited condensed interim financial statements for the three and six month periods ended June 30, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with our audited annual financial statements for the years ended December 31, 2010, 2009 and 2008 and related notes, which we prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which can be found in the Company's final prospectus dated May 11, 2011 (the "Prospectus") and in conjunction with our unaudited condensed interim financial statements for the three month period ended March 31, 2011, which we prepared in accordance with IFRS, available on SEDAR at www.sedar.com. Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Caution Regarding Forward-Looking Statements" and "Risk Factors". The information in this discussion is provided as of August 3, 2011, unless we indicate otherwise.

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

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

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events.

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

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

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

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

Non-IFRS Measures

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

The term “Adjusted EBITDA” refers to net income (loss) before deducting share-based payment expense, finance income, finance costs, foreign exchange gain/loss, depreciation and income taxes. “Adjusted EBITDA margin” refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

“Adjusted EBITDA per share” refers to Adjusted EBITDA divided by the weighted average number of common shares outstanding, which we calculate on a basic and diluted basis. We believe that Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are useful supplemental information as they provide an indication of the results generated by the Company’s main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration share-based payment expense and the other items listed above. Accordingly, we believe that these measures may also be useful to investors in enhancing their understanding of the Company’s operating performance. See “Results of Operations – Adjusted EBITDA”.

Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share may not be comparable to similar measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and Adjusted EBITDA margin should not be construed as an alternative to net income (loss) as determined in accordance with IFRS.

Overview

NexJ is a leading provider of enterprise private cloud software, delivering CRM solutions primarily to the financial services, insurance and healthcare industries. Our next-generation, people-centered software combines industry-specific functionality with information from multiple applications and data stores to provide comprehensive knowledge of the customer or patient.

We have enjoyed a strong track record of revenue growth and have increased our revenues through sales to new customers and sales of additional products, professional services and maintenance services to our existing customers.

Our revenue consists primarily of software license fees, professional service fees and maintenance fees. Software license revenue is comprised of license fees charged for the use of our software products typically licensed under perpetual arrangements. Professional service revenue consists of fees charged for customization, implementation and ongoing services of our software products. Maintenance revenue consists of fees charged for customer support on our software products post-delivery. Maintenance fee arrangements generally include ongoing customer support and rights to certain unspecified product updates. Our customers typically purchase a combination of software, maintenance and professional services, although the type, mix and quantity of each vary by customer.

Professional service costs consist primarily of the costs directly related to revenues including internal costs required to deliver professional services and maintenance.

Research and development expenses include personnel and related costs associated with our research and development efforts.

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing functions, including commissions, direct marketing campaign, webinars, public relations and other promotional materials.

General and administration expenses include personnel and related costs associated with the administration of our business, rental of office space, legal and professional fees and insurance.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: revenue, operating expenses, Adjusted EBITDA and net income (loss). We evaluate our performance on these metrics by comparing our actual results to management budgets, forecasts and prior period performance.

Second Quarter Highlights

- Revenue growth of 42%, from $5,436 for the three months ended June 30, 2010 to $7,698 for the three months ended June 30, 2011. Year to date revenue growth of 93%, from $8,015 for the six months ended June 30, 2010 to $15,443 for the six months ended June 30, 2011.
- Completed an initial public offering ("IPO") on Toronto Stock Exchange ("TSX") of 4,850,000 common shares at a price of $9.00 per share resulting in gross proceeds to NexJ of $43,650.
- Adjusted EBITDA (as defined above) decreased to a loss of ($881) for the three month ended June 30, 2011 from income of $506 in the comparative period in 2010.
- Net loss increased to $1,453 for the three month ended June 30, 2011 from net income of $530 in the comparative period in 2010 as a result of the Company's continued investment in resources based on expectations of future revenue as well as increased share based payment expense and foreign exchange loss due to negative fluctuations in the foreign exchange rates.

Results of Operations

Historically, our operating results have fluctuated significantly. This is due to the fact that we enter into large enterprise CRM contracts and the length of the implementation phase of our software products is generally anywhere from six to eighteen months long. This contributes to the significant fluctuations in our business results and given the nature of our business, our results will continue to fluctuate in the future. We have also increased our head count significantly to support our recent growth and in anticipation of future growth.

The majority of the software license revenue earned to date relates to perpetual software licenses under customer arrangements. The Company has not earned any significant revenue to date from reseller or OEM alliance partners or from subscription based arrangements.

The following table sets forth a summary of our results of operations for the three month and six month periods ended June 30, 2011 and 2010 prepared in accordance with IFRS:

(In thousands of dollars, except percentages and per share amounts)

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	**2010**	**$**	**%**	**2011**	**2010**	**$**	**%**
Revenue	$7,698	$5,436	2,262	42%	$15,443	$8,015	7,428	93%
Expenses	8,579	4,930	3,649	74%	17,141	8,891	8,250	93%
Adjusted EBITDA(1)	**(881)**	**506**	**1,387**	**(274%)**	**(1,698)**	**(876)**	**822**	**(94%)**
Share-based payment expense	340	227	113	50%	1,294	329	965	293%
Depreciation	185	107	78	73%	367	186	181	97%
Foreign exchange loss (gain)	110	(317)	427	n/m	625	(245)	870	n/m
Finance income	(67)	(43)	24	56%	(110)	(44)	66	150%
Finance costs	4	2	2	n/m	5	4	1	n/m
Income (loss) before income taxes	(1,453)	530	1983	(374%)	(3,879)	(1,106)	2,773	(251%)
Income taxes	—	—	—	—	—	—	—	—
Net income (loss)	**(1,453)**	**530**	**1,983**	**(374%)**	**(3,879)**	**(1,106)**	**2,773**	**(251%)**
Weighted average number of common shares outstanding (000's)								
Basic	17,053	14,058			15,887	12,079		

(In thousands of dollars, except percentages and per share amounts)	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	2010	$	%	2011	2010	$	%
Diluted	17,053	14,743			15,887	12,079		
Net income (loss) per share								
Basic	$(0.08)	$0.04	$(0.12)	(300%)	$(0.24)	$(0.09)	$(0.15)	(167%)
Diluted	$(0.08)	$0.04	$(0.12)	(300%)	$(0.24)	$(0.09)	$(0.15)	(167%)
Adjusted EBITDA per share (1)								
Basic	$(0.05)	$0.04	$(0.09)	(225%)	$(0.11)	$(0.07)	$(0.04)	(57%)
Diluted	$(0.05)	$0.03	$(0.08)	(267%)	$(0.11)	$(0.07)	$(0.04)	(57%)

n/m — not meaningful

(1) The financial information, except for Adjusted EBITDA, has been prepared in accordance with IFRS. See “Non-IFRS Measures”.

	As at June 30, 2011	As at December 31, 2010
	(In thousands of dollars)	
Selected Statement of Financial Position Data		
Cash and cash equivalents	62,830	23,942
Short-term investments	—	5,070
Total assets	76,827	42,164
Deferred revenue	3,385	5,727
Total liabilities	9,099	11,634
Total equity	67,728	30,530

Comparison of the three and six month periods ended June 30, 2011 and 2010

Revenue

Total revenue for the quarter ended June 30, 2011 was $7,698, an increase of 42%, or $2,262, compared to $5,436 for the comparative period in 2010. For the first six months of 2011 total revenue was $15,443, an increase of 93%, or $7,428, compared to $8,015 for the comparative period in 2010. The increase in revenue for both the second quarter and six month periods compared to the same periods in the prior year was primarily attributable to the execution of sales contracts with customers in 2010 that extended into 2011.

With respect to the current status of the customer projects at June 30, 2011, the initial implementation and software deployment work was completed for two customers of the Company during the six month period; the projects in progress for our remaining customers varied from being in the preliminary stages to mid-way towards project completion.

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the three and six month periods ended June 30, 2011 and 2010:

(In thousands of dollars, except percentages)	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	2010	$	%	2011	2010	$	%
Licenses	$2,129	$2,213	(84)	(4%)	$ 5,865	$2,245	3,620	161%
Professional services	4,686	2,717	1,969	72%	8,187	4,751	3,436	72%
Maintenance and support	$883	$506	377	74%	1,391	1,019	372	36%
Total	$7,698	$5,436	$2,262	42%	$15,443	$8,015	$7,428	93%

License revenue for the quarter ended June 30, 2011 marginally decreased by 4%, or $84, to $2,129, from $2,213 for the comparative period in 2010. During the six months ended June 30, 2011, license revenue increased by 161%, or $3,620, to $5,865 from $2,245 for the comparative period in 2010. Professional services revenue for the quarter ended June 30, 2011 increased by 72%, or $1,969, to $4,686 from $2,717 for the comparative period in 2010. During the six months ended June 30, 2011, professional services increased by 72% or $3,436, to $8,187 from $4,751 for the comparative period in 2010. We follow the percentage of completion method for recognizing revenues relating to the combination of software licenses and professional services for customer arrangements that meet the applicable accounting criteria. The significant increase in the license revenue for the six month period ended June 30, 2011 was due to the generation of significant revenue from two new customers as compared to the same period in the prior year. The significant increase in the professional services for the three and six month period compared to the same periods in the prior year is attributable to professional services revenue generated from two new customers as well as due to the continuation of an existing customer's project to include European private banking facilities. In addition, we continued to provide incremental professional services to some of our existing customers where software license deployment and acceptance had taken place in prior periods.

Maintenance and support revenues for the quarter ended June 30, 2011 increased by 74% or $377 to $883 from $506 for the comparative period in 2010. During the six months ended June 30, 2011, maintenance and support revenue increased by 36% or $372, to $1,391 from $1,019 for the comparative period in 2010. In the quarter ended June 30, 2011, we recognized additional maintenance revenue relating to a customer of $365 previously deferred as a result of the commencement of the maintenance period for a significant customer. This entirely contributed to the increase in maintenance and support revenue for both the second quarter and six month period compared to the same periods in the prior year.

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

(In thousands of dollars)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
United States of America	5,575	4,089	$ 12,029	$ 6,162
Canada	1,233	1,347	2,424	1,853
Europe	890	—	990	—
Total	7,698	5,436	$ 15,443	$ 8,015

In the six month period ended June 30, 2011, we recognized revenue of $5,180, comprised of $4,455 from software license arrangements and $725 from annual maintenance and support revenue, which represented a large portion of the revenue previously deferred at December 31, 2010.

The deferred revenue balance at June 30, 2011 was $3,385, comprised of $564 from software license arrangements and $2,821 in annual maintenance and support revenue.

Expenses

The following table sets forth the breakdown of our expenses by category and the change for the three and six month periods ended June 30, 2011 and 2010:

(In thousands of dollars, except percentages)	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2011	2010	$	%	2011	2010	$	%
Professional service costs	$2,351	$1,007	$1,344	133%	$ 4,359	$ 1,900	$2,459	129%
Research and development	3,068	1,809	1,259	70%	6,153	3,224	2,929	91%
Sales and marketing	1.588	1,276	312	24%	3,657	2,189	1,468	67%
General and administrative	1,572	838	734	88%	2,972	1,578	1,394	88%
Total	$8,579	$4,930	$3,649	74%	$17,141	$8,891	$8,250	93%

Total expenses for the quarter ended June 30, 2011 increased by 74%, or $3,649, to $8,579, compared to $4,930 over the comparative period in 2010. During the six months ended June 30, 2011, expenses increased by 93%, or $8,250, to $17,141, compared to $8,891 over the comparative period in 2010. A significant portion of our expenses are based on expectations of future revenue growth and, therefore, are relatively fixed in the short-term. The significant increase in expenses is primarily due to the increase in the number of employees, as the vast majority of our operating expenses are headcount-related. Our employee count grew 60% to 320 in the quarter ended June 30, 2011 from 200 in the comparative period in 2010. The increase in the operating expenses is consistent with the growth in the business and reflects our investment in professional services activities, product development activities and sales and marketing capabilities.

Professional service costs — Professional service costs increased 133%, or $1,344, to $2,351 for the quarter ended June 30, 2011 compared to $1,007 for the comparative period in 2010. As a percentage of professional services revenue, professional service costs were 50% for the quarter ended June 30, 2011, from 37% for the comparative period in 2010. The dollar increase from the prior quarter reflects the growth in the employee count and change in the employee mix devoted to professional services with an average of 75 employees in the quarter ended June 30, 2011 as compared to 33 for the same period in 2010. During the six months ended June 30, 2011, professional service cost increased by 129% or $2,459, to $4,359, compared to $1,900 over the comparative period in 2010. As a percentage of professional services revenue, professional service costs were 53% for the six months ended June 30, 2011, from 40% for the comparative period in 2010. During the six months ended June 30, 2011, we have hired some of the senior staff in the department which was necessary to enable us to meet the needs of our customers which resulted in a significant increase in our professional services revenues in the current quarter. This change in mix and the associated hiring costs resulted in the increase in professional service costs for the six month ended June 30, 2011 as compared to the same period in 2010.

Research and development — Research and development expenses, net of refundable investment tax credits, increased 70%, or $1,259, to $3,068 for the quarter ended June 30, 2011 compared to $1,809 for the comparative period in 2010. The dollar increase from the prior quarter reflects the significant growth in personnel devoted to research and development (172 employees in quarter ended June 30, 2011 as compared to 122 for the comparative period in 2010). During the six months ended June 30, 2011, research and development expenses increased by 91% or $2,929, to $6,153, compared to $3,224 over the comparative period in 2010. In recent years we have undertaken an increasing number of growth initiatives. These initiatives tend to be more concentrated on research and development spending in their early stages. Their focus is on developing new products and significantly enhancing our existing product suites to either grow market share, enter new markets, or capture more of our existing customer's IT spending. Historically, refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities performed in Canada were offset against the research and development expenses. In the second quarter of 2011, the Company became a publicly listed entity on May 18, 2011; as a result beginning May 18, 2011, our ITCs are no longer available as a cash refund. For the six month period ended June 30, 2011, the Company recorded $735 in refundable ITCs as an offset to research and development expenses compared to $1,015 for the same period in 2010. This also contributed to the increase in the research and development expenses for the quarter ended June 30, 2011 as compared to the same period in 2010. However, as a public company we will continue to earn non-refundable ITCs at a reduced rate which can be applied to reduce future cash taxes payable.

Sales and marketing — Sales and marketing expenses increased 24%, or $312 to $1,588, in the quarter ended June 30, 2011 compared to $1,276 for the comparative period in 2010. The dollar increase from the prior quarter is largely attributable to our growth in headcount. For the quarter ended June 30, 2011 we had an average of 35 sales and marketing staff compared to 26 in the comparative period in 2010. During the six months ended June 30, 2011, sales and marketing expenses increased by 67% or $1,468, to $3,657, compared to $2,189 over the comparative period in 2010. We continue to invest in sales personnel who are focused on obtaining new customers and generating software license revenue growth. However, any benefits derived from hiring new sales personnel likely will occur following a transition period, which is expected to last approximately six to 12 months from the date of hiring. In the short-term, our sales and marketing expenses are largely fixed, so such expenses are expected to have a disproportionately adverse effect on our net income in those periods in which we generate less revenue. In addition, due to lengthy sales cycles, the time lag between order booking and revenue recognition, the delay associated with reaping the benefits of new sales personnel, and unpredictability in assessing the effectiveness of various marketing initiatives, our continued investment in sales and marketing may not always coincide with the generation of revenue growth.

General and administrative — General and administrative ("G&A") expenses increased 88%, or $734, to $1,572 in the quarter ended June 30, 2011 from $838 for the comparative period in 2010. The dollar value increase was mainly attributable to increases in headcount during the quarter ended June 30, 2011 as compared to the comparative period in 2010. During the six months ended June 30, 2011, G&A increased by 88% or $1,394, to $2,972, compared to $1,578 over the comparative period in 2010. The headcount in G&A grew 115% to an average of 28 staff in the quarter ended June 30, 2011 from 13 staff in the comparative period in 2010. In the second quarter ended June 30, 2011, we assumed additional infrastructure costs which included a significant commitment in connection with the leasing of additional office space (refer to the discussion under contractual obligations), which also contributed to the increase in the expenses. While we expect we can continue to gain some economies of scale from a larger revenue base, we anticipate that this will be partially offset by the increased costs associated with being a public company.

Share-based payment expense

For the quarter ended June 30, 2011, we recognized a share-based payment expense of $340 compared to $227 recognized in the comparative period of 2010. During the six month ended June 30, 2011, we recognized a share-based payment expense of $1,294 compared to $329 recognized in the comparative period of 2010. The granting of significant number of employee stock options starting in June of 2010 contributed to the increase in the share-based payment expense in the three and six month period ended June 30, 2011. In addition, on March 28, 2011 and May 2, 2011, the Company accelerated the vesting of certain employee options to reduce the stock option pool to 10% of the outstanding Common Shares. This resulted in an additional share based payment expense of $13 for the three month ended June 30, 2011 and $343 for the six month period ended June 30, 2011.

Foreign exchange loss (gain)

For the quarter ended June 30, 2011 our foreign exchange loss was $110 compared to a gain of $317 in the comparative period in 2010. For the six months ended June 30, 2011, the foreign exchange loss was $625 versus a gain of $245 for the same period in 2010. The change in the foreign exchange impact during the first six months of 2011 was the result of significant fluctuations in exchange rates between the Canadian dollar (our functional currency) and the U.S. dollar. From the end of fiscal 2010 to June 30, 2011, the U.S. dollar weakened by approximately 3% against the Canadian dollar from C$0.99 to C$0.96, which results in a significant foreign exchange loss on our U.S. dollar cash equivalents and short-term investments and contributed to the majority of the foreign exchange loss experienced by the Company for both the second quarter and the first six months ended June 30, 2011. A small amount of foreign exchange loss was also experienced on some of our working capital balances such as U.S. dollar accounts receivable.

Depreciation

Depreciation of property and equipment for the quarter ended June 30, 2011 was $185, compared to $107 for the comparative period in 2010, representing an increase of 73%. During the six months ended June 30, 2011, depreciation of property and equipment was $367, compared to $186 for the comparative period in 2010, representing an increase of 97%. The overall dollar value increase in depreciation is consistent with our overall growth in infrastructure to support the growth of our business.

Finance income

Finance income was $67 for the quarter ended June 30, 2011 compared to $43 for the comparative period in 2010. During the six months ended June 30, 2011, finance income was $110 as compared to $44 for the comparative period in 2010. The increase was primarily a result of higher average cash and cash equivalent balances. The higher cash balance was a result of the proceeds received through the Company’s IPO on TSX of common shares in May 2011. We maintain excess cash in various bank accounts and in highly liquid instruments with low yield and low risk with short-term maturities.

Net income (loss)

We reported net loss of $1,453, or $(0.08) per share (basic and diluted), for the quarter ended June 30, 2011 compared to net income of $530, or $0.04 per share (basic and diluted), for the same period in 2010. The increase in net loss of $1,983 was due to the investments we made to support the growth of the Company. In the current quarter, we have continued to invest in resources by hiring more employees based on expectations of future revenue growth.

Increased share-based payment expense recorded under IFRS and foreign exchange loss due to the significant fluctuations in the exchange rates between the Canadian dollar (our functional and reporting currency) and the U.S. dollar also contributed to the increased net loss for the quarter ended June 30, 2011. For the six months ended June 30, 2011, we reported net loss of $3,879, or $(0.24) per share (basic and diluted), compared to net loss of $1,106, or $(0.09) per share (basic and diluted), for the same period in 2010. The major contributors to the net loss for the six months ended June 30, 2011 were the same items noted for the second quarter ended June 30, 2011 above, as well as in the first quarter of 2011, being a significant amount of share-based payment expense recorded and a significant foreign exchange loss due to fluctuations in exchange rates.

Adjusted EBITDA

For the quarter ended June 30, 2011, Adjusted EBITDA decreased by $1,387 to a loss of $(881) compared to earnings of $506 in the same period in 2010. Adjusted EBITDA margin was (11%) in the second quarter of 2011 compared to 9% in the comparable period in 2010. The decrease in Adjusted EBITDA margin for the three months ended June 30, 2011 is largely due to growth in expenses relative to the growth in the related revenues for the same period. For the six months of 2011, Adjusted EBITDA decreased by $822 to a loss of $(1,698) compared to a loss of $(876) in the same period in 2010. Adjusted EBITDA margin in the six months ended June 30, 2011 was (11%) similar to the margin in the comparable period in 2010. As the revenues of the Company grow, we expect that the expenses as a percentage of revenues will decline over time which will favourably impact the Adjusted EBITDA. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net loss:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands of dollars, except percentages)		(in thousands of dollars, except percentages)	
Total revenue	$7,698	$5,436	$15,443	$8,015
Net income (loss)	(1,453)	530	(3,879)	(1,106)
Add back:				
Share-based payment expense	340	227	1,294	329
Depreciation	185	107	367	186
Foreign exchange loss (gain)	110	(317)	625	(245)
Finance income	(67)	(43)	(110)	(44)
Finance costs	4	2	5	4
Adjusted EBITDA	**(881)**	**506**	**(1,698)**	**(876)**
Adjusted EBITDA margin	**(11%)**	**9%**	**(11%)**	**(11%)**

Summary of Quarterly Results

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended June 30, 2011. Our quarterly operating results have historically fluctuated significantly and may continue to fluctuate significantly in the future. Therefore, we believe that past operating results and period-to-period comparisons should not be relied upon as an indication of the Company's future performance.

	Quarters Ended							
	Jun. 30, 2011	**Mar. 31, 2011**	**Dec. 31, 2010**	**Sept. 30, 2010**	**Jun. 30, 2010**	**Mar. 31, 2010**	**Dec. 31, 2009**	**Sept. 30, 2009**
	(In thousands of dollars, except share figures) (Unaudited)							
	Note 2	Note 2	Note 1	Note 1	Note 2	Note 2	Note 1	Note 1
Revenue	7,698	$ 7,745	$ 8,627	$ 5,889	$ 5,436	$ 2,579	$ 11,808	$ 1,496
Net income (loss)	(1,453)	(2,426)	479	(291)	530	(1,636)	5,808	(2,015)
Weighted average number of shares outstanding (000`s):								
Basic	17,053	14,705	14,223	14,127	14,058	10,078	9,995	9,995
Diluted	17,053	14,705	16,539	14,127	14,743	10,078	10,786	9,995
Net income (loss) per share:								
Basic	$ (0.08)	$ (0.16)	$ 0.03	$ (0.02)	$ 0.04	$ (0.16)	$ 0.58	$ (0.20)
Diluted	$ (0.08)	$ (0.16)	$ 0.03	$ (0.02)	$ 0.04	$ (0.16)	$ 0.54	$ (0.20)

Note 1 – The quarterly information is presented in accordance with GAAP.
Note 2 – The quarterly information is presented in accordance with IFRS.

In periods where a net loss was incurred, stock options were considered to be anti-dilutive and excluded from the computation of diluted loss per share.

Key factors that account for the fluctuations in quarterly results include the variability in the Company's licensing revenue, the pace at which the Company's sales personnel and research and development personnel are expanding and the impact of currency movements against the Canadian dollar. As the timing of executing larger software license arrangements changes from quarter to quarter, the impact on license revenue has been significant. The movement of the Canadian dollar against the U.S. dollar has a direct impact on the Company's financial results as a large portion of our revenues are in U.S. dollars. As a result, as the Canadian dollar strengthens against the U.S. dollar, the Company's revenues are negatively impacted.

Liquidity and Capital Resources

As of June 30, 2011, we held cash and cash equivalents of $62,830. Our growth has been financed through a combination of the cash flows from operations and the issuance of equity. On May 18, 2011, the Company completed its IPO on TSX of 4,850,000 Common Shares at a price of $9.00 per share resulting in gross proceeds to NexJ of $43,650. The estimated expenses, including underwriters' fees, on closing of the IPO were approximately $3,905. We believe that ongoing operations, working capital and associated cash flows in addition to our cash resources provide sufficient liquidity to support our ongoing business operations for at least the next 12 months.

Below is a summary of our cash flows from (used in) operating, financing, and investing activities for the periods indicated:

(in thousands of dollars)	Six months ended June 30, 2011	2010
Net cash flows from (used in) operating activities	$ (4,969)	$ 1,756
Net cash flows from financing activities	39,745	21,933
Net cash flows from investing activities	4,557	2,835
Effect of exchange rate changes on cash and cash equivalents	(445)	5
Increase in cash and cash equivalents	38,888	26,529
Beginning cash and cash equivalents	23,942	34
Ending cash and cash equivalents	62,830	26,563

Net cash from (used in) operating activities

We used additional cash of $6,725 in operating activities for the six months ended June 30, 2011 compared to net cash flows from operating activities of $1,756 for the comparative period in 2010. Of the cash used $3,071 is attributable to a decrease in non-cash working capital with a significant change arising from the fluctuation in deferred revenue and accounts payable and accrued liabilities period over period and the remainder from operating activities.

Net cash flows from financing activities

For the six months ended June 30, 2011, net cash generated from financing activities was $39,745. This consisted primarily of gross proceeds received from the IPO of $43,650, proceeds received of $22 from the exercise of stock options, proceeds received of $16 from the repayment of the share purchase loans offset by financing costs of $3,905 incurred in connection with the Company's IPO, repayment of $33 on account of capital leases and interest paid of $5.

Net cash from financing activities totalled $21,933 for the six months ended June 30, 2010. This consisted primarily of the issuance of common shares through a private placement and to employees for gross proceeds of $23,249, proceeds of $10 from the exercise of stock options, offset by net financing costs of $1,291, repayment of $31 on account of capital leases and $4 of interest paid.

Net cash flows from investing activities

For the six months ended June 30, 2011, net cash from investing activities was $4,557 which consisted primarily of a net redemption of short-term investments of $5,090, interest received of $110, offset by the purchase of property and equipment of $589, and an increase in other long-term assets of $54. The investment in infrastructure related items such as leasehold improvements, computer equipment, and office equipment is consistent with our overall growth in headcount and the related infrastructure needs to support the growth of our business.

Net cash from investing activities totalled $2,835 for the six months ended June 30, 2011. This consisted primarily of a net redemption of short-term investment of $3,748, interest received of $44, decrease in other assets of $108, offset by the purchase of property and equipment of $1,065.

Capital Management

We define capital as the aggregate of shareholders' equity, which is comprised of issued capital, contributed surplus and deficit.

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy, fund research and development to enhance existing product offerings as well as develop new ones, undertake selective acquisitions and provide sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards financial leverage and management of financial risk. In managing the capital structure, we take into consideration various factors, including the growth of the business and related infrastructure and the up-front cost of taking on new customers. Our officers and senior management are responsible for managing the capital and do so through quarterly meetings and regular review of financial information. Our Board of Directors is responsible for overseeing this process. We manage capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

We do not have any externally imposed capital requirements.

Contractual Obligations

Our contractual obligations include operating leases for office equipment and office premises, and capital lease for computer equipment.

During the quarter ended June 30, 2011, 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.

The following table summarizes our outstanding cash commitments for the leased office premises as of June 30, 2011:

	2011-12	2012-13	2013-14	2014-15	2015-16	Thereafter	Total
Operating leases...................	$687	$1,034	$933	$1,015	$1,332	$2,063	$7,064

Transactions with Related Parties

Our 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 and six months ended June 30, 2011, we expensed $9 and $18 (2010 — $48 and $88) respectively, under sales and marketing to support the activities of CAPCH.

Financial Risk Management

In the normal course of our business, we engage in operating and financing activities that generate risks in the following primary areas:

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in foreign exchange rates could impact our results from operations. We are exposed to a significant amount of foreign exchange risk, primarily between the Canadian dollar and the U.S. dollar. We transact business in multiple currencies, the most significant of which is the U.S. dollar. Currently, we do not enter into foreign exchange contracts to manage this exposure, but may do so in the future. As a result, we have foreign currency exposure with respect to items denominated in foreign currencies. The Company has an unused foreign exchange credit line in the amount of $500.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on our net monetary assets could change by approximately $2,525 due to the fluctuation and this would be recorded in profit or loss.

Credit Risk

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

We have credit risk relating to cash and cash equivalents, which we manage by dealing with large chartered Canadian banks and investing in highly liquid investments.

In order to minimize the credit risk on accounts receivables, our extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are executed and credit checks, where deemed necessary.

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

	Revenue	
	Number of customers	% of total
Three months ended June 30, 2011	3	84%
Six months ended June 30, 2011	2	76%
Three months ended June 30, 2010	3	94%
Six months ended June 30, 2010	3	93%

	Accounts receivable	
	Number of customers	% of total
As at June 30, 2011	2	76%
As at December 31, 2010	2	84%

We review accounts receivable balances regularly and reduce amounts to their expected realizable values by recognizing an allowance for doubtful accounts, as soon as the account is estimated not to be fully collectible. To date, we have not experienced any material collectability issues related to our customer accounts.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Majority of our customers are large financially established organizations and we believe this limits the credit risk relating to customers.

Liquidity Risk

Liquidity risk is the risk that we are not able to meet our financial obligations as they fall due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that we have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The majority of our financial liabilities are comprised of accounts payable and accrued liabilities. Given our available cash resources as compared to the liabilities, we assess the liquidity risk to be low.

We believe that the internally generated cash flows combined with existing cash and cash equivalents and short-term investment resources will provide sufficient funding to meet all working capital, contractual commitments and financing needs for at least the next 12 months.

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. We are, or have been, subject to interest rate risk on our cash and cash equivalents and obligations under capital leases. The impact of change in interest rates has not been, nor is it expected to be, material.

Critical Accounting Policies and Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience, and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our financial statements. We believe that there have been no significant changes in our critical accounting estimates for the three month periods March 31, 2011 and 2010 from the years presented in our annual financial statements included in the Prospectus.

Revenue recognition

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"). Revenue recognition requirements are very complex and are affected by interpretations of the rules and industry practices, both of which are subject to change. We follow specific and detailed guidelines in measuring revenue; however, certain judgments and current interpretations of rules and guidelines affect the application of our revenue recognition policy.

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 standalone 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. If services are deemed essential to the functionality of the software, revenue from both the essential services and 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. We estimate the percentage-of-completion on contracts utilizing the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each contract. Recognized revenues are subject to revisions as the contract progresses to completion. The estimated total labour hours are a key estimate which drives our revenue recognition under the percentage of completion method. We monitor the estimated total labour hours on a monthly basis as the contract progresses and adjust earnings in the period a change in estimate or a contract amendment occurs. Revisions in estimates are charged to earnings in the period in which the facts that give rise to the revision become known. It should be noted that a significant amount of our license and professional services revenue are recognized under the percentage of completion method.

Software 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 fees are fixed or 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 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.

Maintenance revenue consists of fees charged for customer support on our software products post-delivery, which are determinable based on the price charged for the same or similar post customer support (`PCS`) when sold in stand-alone PCS renewals with customers, as substantiated by contractual renewal rates and the Company's renewal experience. Maintenance fee arrangements include ongoing customer support and rights to certain product updates "if and when available". Customer payments for maintenance are generally received in advance and are non-refundable. Maintenance revenue is deferred and recognized on a straight-line basis over the life of the related period, which is typically one year.

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.

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 research and development expenditures primarily consist of the salaries of the persons conducting the research and development activities and direct expenses. The determination of qualifying research and development expenses requires us to make estimates and assumptions with respect to their eligibility under the taxation rules. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the statements of comprehensive income or as a reduction of the related asset's cost for items capitalized in the balance sheets provided their realization is reasonably assured. In the second quarter of 2011, the Company became a publicly listed entity; as a result our ITCs are no longer available as a cash refund. However, while the criteria for accounting recognition have not been met, we will continue to earn non-refundable ITCs at a reduced rate which can be applied to reduce future cash taxes payable.

Share-based payments

The Company accounts for all share-based payments using the fair value-based method.

The Company uses the Black-Scholes option pricing model to determine fair value of stock options at the grant date. 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. 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, expected dividends and the risk-free interest rate. This pricing model requires management to make highly subjective assumptions with respect to expected volatility, dividend yield, expected life, and risk free interest rate. Changes in the input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Since the Company was operating as a private company prior to May 18, 2011 and the Company`s shares were not traded, management has estimated an implied volatility based on actual experience of similar companies with traded equity instruments as permissible under IFRS.

Transition to IFRS

The Company's unaudited condensed interim financial statements were prepared in accordance with IFRS and IAS 34, "Interim Financial Reporting", including its 2010 comparative figures.

Reconciliations prepared in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards" are provided in note 3 to the unaudited condensed interim financial statements.

An explanation of how the transition to IFRS affected the reported financial position, financial performance in the form of comprehensive income (loss) and cash flows of the Company was provided in note 4 of the condensed interim financial statements for the three month period ended March 31, 2011. This note included reconciliations from GAAP to IFRS of equity and comprehensive income of the comparative periods and of equity at the date of transition.

Recent Accounting Pronouncements

Fair Value Measurement

In May, 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"), which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. 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.

Presentation of Financial Statements

In June, 2011, the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for the Company's interim financial statements commencing in the third quarter of fiscal 2012. The Company is assessing the impact of the amendments on its financial statements.

Financial Instruments

In October 2010, the IASB issued IFRS 9, Financial Instruments ("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.

Outstanding Common Share Data

As of August 3, 2011, 20,561,055 Common Shares were issued and outstanding.

About NexJ Systems Inc.

NexJ is a leading provider of enterprise private cloud software, delivering customer relationship management solutions for financial services, insurance, and healthcare. NexJ`s next-generation, people-centered software combines industry-specific functionality with information from multiple applications and data stores to provide comprehensive knowledge of the individual.

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

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Quarterly Investment Community Conference Call

As previously announced by press release, a live webcast of our quarterly results conference call with the investment community will be hosted via a conference call and webcast beginning at 5:00 p.m. ET today, August 3, 2011. A replay of the call will be available beginning August 3, 2011 at 8:00 p.m. ET through 11:59 p.m. ET on August 10, 2011 and can be accessed by dialling 416-849-0833 and using password 72353900.

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