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 months ended June 30, 2012, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with our annual MD&A and audited annual financial statements for the years ended December 31, 2011and 2010 and related notes, which we prepared in accordance with IFRS and are 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 2, 2012, 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. Organizations use this knowledge to provide superior sales and service by enabling proactive interactions that influence behaviour.

NexJ’s next generation solutions help financial advisors grow their clients’ wealth, help insurance agents offer the right product with the best service, and help healthcare professionals save lives and encourage wellness. NexJ health solutions allow patients and providers to work together across the continuum of care to encourage health-conscious behaviour and promote wellness. The NexJ Connected Wellness Platform is an innovative people-centered solution designed to empower patients to proactively manage their own healthcare and wellness. It provides people with access to their health records and connects them with their extended care team, allowing them to work together to increase the quality of care, improve outcomes, and reduce the cost of care.

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 decreased by 8% to $7,119 for the three months ended June 30, 2012 from $7,698 in the comparative period in 2011. For the six months ended June 30, 2012, revenue decreased by 14% to $13,255 from $15,443 in the comparative period in 2011.
- Adjusted EBITDA (as defined above) increased to a loss of $2,930 for the three months ended June 30, 2012 from a loss of $881 in the comparative period in 2011. For the six months ended June 30, 2012, Adjusted EBITDA decreased to a loss of $6,766 compared to a loss of $1,698 in the same period in 2011.
- Net loss was $3,128 for the three month ended June 30, 2012 as compared to a net loss of $1,453 in the comparative period in 2011. For the six months ended June 30, 2012, net loss was $7,635 compared to net loss of $3,879 for the same period in 2011.

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 from nine to eighteen months in duration. 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. 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 months ended June 30, 2012 and 2011 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	
	2012	2011	$	%	2012	2011	$	%
Revenue	$7,119	$7,698	(579)	(8%)	$13,255	$15,443	(2,188)	(14%)
Expenses	10,049	8,579	1,470	17%	20,021	17,141	2,880	17%
Adjusted EBITDA(1)	**(2,930)**	**(881)**	**2,049**	**233%**	**(6,766)**	**(1,698)**	**5,068**	**298%**
Share-based payment expense	355	340	15	4%	725	1,294	(569)	44%
Depreciation	283	185	98	53%	572	367	205	56%
Foreign exchange loss (gain)	(300)	110	(410)	n/m	(132)	625	(757)	n/m
Finance income	(141)	(67)	(74)	(110%)	(298)	(110)	(188)	(171%)
Finance costs	1	4	(3)	n/m	2	5	(3)	n/m
Loss/ before income taxes	(3,128)	(1,453)	(1,675)	(115%)	(7,635)	(3,879)	(3,756)	(97%)
Income taxes	—	—	—	—	—	—	—	—
Net loss	**(3,128)**	**(1,453)**	**(1,675)**	**(115%)**	**(7,635)**	**(3,879)**	**(3,756)**	**(97%)**
Weighted average number of common shares outstanding (000's)								
Basic and diluted	19,811	17,053			19,814	15,887		
Net loss per share								
Basic and diluted	$(0.16)	$(0.08)			$(0.39)	$(0.24)		
Adjusted EBITDA per share (1)								
Basic and diluted	$(0.15)	$(0.05)			$(0.34)	$(0.11)		

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, 2012	As at December 31, 2011
	(In thousands of dollars)	
Selected Statement of Financial Position Data		
Cash and cash equivalents	54,615	56,218
Short-term investments	—	4,068
Total assets	72,641	73,394
Deferred revenue	6,987	2,097
Total liabilities	13,328	7,996
Total equity	59,313	65,398

Comparison of the three and six-months ended June 30, 2012 and 2011

Revenue The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the three and six months ended June 30, 2012 and 2011:

(In thousands of dollars, except percentages)	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
Licenses	$1,525	$2,129	$(604)	(28%)	$2,174	$ 5,865	$(3,691)	(63%)
Professional services	4,321	4,686	(365)	(8%)	8,624	8,187	437	5%
Maintenance and support	1,273	883	390	44%	2,457	1,391	1,066	77%
Total	$7,119	$7,698	$(579)	(8%)	$13,255	$15,443	$(2,188)	(14%)

Total revenue for the quarter ended June 30, 2012 was $7,119, a decrease of $579 or 8%, compared to $7,698 for the comparative period in 2011. For the first six months of 2012 total revenue was $13,255, a decrease of $2,188, or 14%, compared to $15,443 for the comparative period in 2011.

License revenue for the quarter ended June 30, 2012 decreased by 28%, or $604, to $1,525, from $2,129 for the comparative period in 2011. During the six months ended June 30, 2012, license revenue decreased by 63%, or $3691, to $2,174 from $5,865 for the comparative period in 2011. The decrease was due to the timing of execution of new customer contracts in 2012. In addition, in the first quarter of 2011, a significant amount of license revenue was recognized on the completion of initial deployment for a large customer arrangement. In the first quarter of 2012, the Company entered into two new customer arrangements; one with a major Canadian bank in the wealth management industry and one in the healthcare industry that will deliver software licenses, services and maintenance revenue to the Company. A large portion of the amounts billed under these arrangements are deferred at June 30, 2012 as the Company's billings have exceeded the relative stage of completion of these arrangements.

Professional services revenue for the quarter ended June 30, 2012 decreased by 8%, or $365, to $4,686 from $4,321 for the comparative period in 2011. During the six months ended June 30, 2012, professional services increased marginally by 5% or $437, to $8,624 from $8,187 for the comparative period in 2011. We follow contract accounting which involves the use of 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. In addition, we continued to provide incremental professional services to some of our existing customers where software license deployment and customer acceptance had taken place in prior periods.

Maintenance and support revenues for the quarter ended June 30, 2012 increased by 44% or $390 to $1,273 from $883 for the comparative period in 2011. During the six months ended June 30, 2012, maintenance and support revenue increased by 77% or $1,066, to $2,457 from $1,391 for the comparative period in 2011. The commencement of the maintenance period for two significant customers in the second half of 2011 fiscal year as well as commencement of the maintenance period for additional three customers contributed $371 of the increase in the current quarter and $1,049 for the six months ended June 30, 2012.

With respect to the current status of our customer projects, at June 30, 2012, the initial implementation and software deployment work was completed for three customers of the Company; the projects in progress for our remaining customers where contract accounting has been applied varied from being in the preliminary stages to mid-way towards project completion.

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

(In thousands of dollars)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
United States of America	$5,448	$5,575	$10,375	$12,029
Canada	1,272	1,233	2,141	2,424
Europe	399	890	739	990
Total	$7,119	$7,698	$13,255	$15,443

The deferred revenue balance at June 30, 2012 was $6,987, comprised of $2,859 from software license arrangements and $4,128 in annual maintenance and support revenue.

In the six month period ended June 30, 2012, we recognized revenue of $1,798 that was deferred at December 31, 2011, comprised of $159 from software license and professional services arrangements and $1,639 from 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, 2012 and 2011:

(In thousands of dollars, except percentages)	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
Professional service costs	$2,494	$2,351	$143	6%	$5,110	$4,359	$751	17%
Research and development	3,539	3,068	471	15%	7,137	6,153	984	16%
Sales and marketing	2,077	1,588	489	31%	4,061	3,657	404	11%
General and administrative	1,939	1,572	367	23%	3,713	2,972	741	25%
Total	$10,049	$8,579	$1,470	17%	$20,021	$17,141	$2,880	17%

Total expenses for the quarter ended June 30, 2012 increased by $1,470, or 17%, to $10,049, compared to $8,579 over the comparative period in 2011. During the six months ended June 30, 2012, expenses increased by $2,880, or 17%, to $20,021, compared to $17,141 over the comparative period in 2011. 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 as well as additional infrastructure costs in connection with lease of additional office space. Our average employee count grew to 337 in the quarter ended June 30, 2012 from 305 in the comparative period in 2011. The increase in the operating expenses reflects our investment in professional services activities, product development activities and sales and marketing capabilities.

Professional service costs — Professional service costs for the quarter ended June 30, 2012 increased by $143, or 6%, to $2,494, from $2,351 for the comparative period in 2011. As a percentage of professional services revenue, professional service costs were 58% for the quarter ended June 30, 2012 as compared to 50% for the comparative period in 2011. The dollar increase reflects the growth in headcount and change in the employee mix devoted to professional services with an average of 91 employees for the quarter ended June 30, 2012 as compared to 75 for the comparative period in 2011. During the six months ended June 30, 2012, professional service costs increased by $751, or 17%, to $5,110, compared to $4,359 over the comparative period in 2011. As a percentage of professional services revenue, professional service costs were 59% for the six months ended June 30, 2012, from 54% for the comparative period in 2011. The dollar increase reflects the growth in headcount and change in the employee mix devoted to professional services with an average of 90 employees for the six months ended June 30, 2012 as compared to 69 for the comparative period in 2011.

Research and development — Research and development expenses, net of refundable investment tax credits for the quarter ended June 30, 2012 increased 15%, or $471, to $3,539 from $3,068 for the comparative period in 2011. The dollar increase from the prior periods reflects the growth in personnel devoted to research and development with an average of 182 employees in the quarter ended June 30, 2012 as compared to 167 for the comparative period in 2011. During the six months ended June 30, 2012, research and development expenses increased by $984, or 16%, to $7,137, compared to $6,153 over the comparative period in 2011. The dollar increase from the prior periods reflects the growth in personnel devoted to research and development with an average of 179 employees for the six months ended June 30, 2012 as compared to 160 for the comparative period in 2011. Another reason for the increase in research and development costs is that, in recent years, we have undertaken an increasing number of growth initiatives and these initiatives tend to be more concentrated on research and development spending in their early stages. The 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. With this view, commencing in the first quarter of 2012, the Company has teamed with Beth Israel Deaconess Medical Center to digitize the Passport to TRUST program. The Passport to TRUST program will transform the doctor-patient interaction through the integration with NexJ's Connected Wellness Platform as an online medical dashboard – the TRUST Passport.

The Company became a publicly listed entity on May 18, 2011; as a result, beginning May 18, 2011, our federal ITCs are no longer available as a cash refund. In addition, due to the eligible capital rules for Ontario ITCs, our Ontario ITCs have been significantly reduced. Prior to becoming a publicly listed entity, the Company's refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities performed in Canada were offset against research and development expenses. 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. The benefit of non-refundable ITCs has not been recognized for accounting purposes as the Company does not have sufficient history of earnings.

Sales and marketing — Sales and marketing expenses for the quarter ended June 30, 2012 increased by 31%, or $489, to $2,077, from $1,588 for the comparative period in 2011. The dollar increase from the prior period is largely attributable to our growth in headcount and change in the employee mix devoted to sales and marketing activities. For the quarter ended June 30, 2012 we had an average of 40 sales and marketing staff compared to 35 in the comparative period in 2011. During the six months ended June 30, 2012, sales and marketing expenses increased by $404, or 11%, to $4,061, compared to $3,657 over the comparative period in 2011. 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 be approximately nine to twelve 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, our continued investment in sales and marketing may not always coincide with the growth in revenue due to lengthy sales cycles, the time lag between customer 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.

General and administrative — General and administrative ("G&A") expenses for the quarter ended June 30, 2012 increased 23%, or $367, to $1,939, from $1,572 for the comparative period in 2011. The dollar increase from the prior period is largely attributable to our increased infrastructure and general overhead costs. For the quarter ended June 30, 2012 we had an average of 25 G&A staff compared to 28 in the comparative period in 2011. During the six months ended June 30, 2012, G&A increased by $741, or 25%, to $3,713, compared to $2,972 over the comparative period in 2011. In the second quarter ended June 30, 2011, we entered into a new lease arrangement for additional office space, which also contributed to the increase in the office and rent related expenses by approximately $472 for the six months ended June 30, 2012 as compared to the comparative period in 2011.

Share-based payment expense

For the quarter ended June 30, 2012, we recognized a share-based payment expense of $355 compared to $340 recognized in the comparative period of 2011. During the six month ended June 30, 2012, we recognized a share-based payment expense of $725 compared to $1,294 recognized in the comparative period of 2011. On March 28, 2011, the Company accelerated the vesting of certain employee options to reduce the stock option pool to 10% of the outstanding common shares prior to the Company's IPO, resulting in an additional share based payment expense of $343 for the six months ended June 30, 2011. In addition, the decrease was also as a result of the manner in which the estimated fair value of share-based payments are attributed under IFRS, whereby the share-based payment expense is disproportionately attributed to the periods immediately subsequent to the grant-date as each tranche of the award is recognized over the graded vesting period of the award. As a result, the grant of a significant number of employee stock options starting in June of 2010 also contributed to the increase in the share-based payment expense in the comparative period in 2011.

Foreign exchange loss (gain)

For the quarter ended June 30, 2012 our foreign exchange gain was $300 compared to a loss of $110 in the comparative period in 2011. For the six months ended June 30, 2012, the foreign exchange gain was $132 versus a loss of $625 for the same period in 2011. The change in the foreign exchange impact during the first six months of 2012 was the result of significant fluctuations in exchange rates between the Canadian dollar (our functional currency) and the U.S. dollar. During the six month period ended June 30, 2012, the average U.S. dollar rate compared to Canadian dollar was C$1.0057, or 3% stronger, as compared to C$0.9768 for the comparative period in 2011, resulting in foreign exchange gain for both the second quarter and the first six months ended June 30, 2012. A portion of the foreign exchange gain was also attributable to some of our working capital balances, such as U.S. dollar accounts receivable.

Depreciation and amortization

Depreciation of property and equipment for the quarter ended June 30, 2012 was $283, compared to $185 for the comparative period in 2011, representing an increase of 53%. During the six months ended June 30, 2012, depreciation of property and equipment was $572, compared to $367 for the comparative period in 2011, representing an increase of 56%. The Company incurred approximately $2,200 of leasehold improvements in connection with the additional office space, which the Company started to amortize beginning in the third quarter of 2011 fiscal year. The amortization in respect of this asset contributed to the increase in depreciation and amortization for the quarter and six months ended June 30, 2012. The overall dollar value increase in depreciation is consistent with our overall growth in infrastructure.

Finance income

Finance income was $141 for the quarter ended June 30, 2012 compared to $67 for the comparative period in 2011. During the six months ended June 30, 2012, finance income was $298 as compared to $110 for the comparative period in 2011. 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 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 loss

We reported net loss of $3,128, or $(0.16) per share (basic and diluted), for the quarter ended June 30, 2012 compared to net loss of $1,453, or $(0.08) per share (basic and diluted), for the same period in 2011. For the six months ended June 30, 2012, we reported net loss of $7,635, or $(0.39) per share (basic and diluted), compared to net loss of $3,879, or $(0.24) per share (basic and diluted).

Adjusted EBITDA

For the quarter ended June 30, 2012, Adjusted EBITDA decreased by $2,049 to a loss of $2,930 compared to a loss of $881 in the same period in 2011. Adjusted EBITDA margin was (41%) in the current quarter compared to (11%) in the same period in 2011. The decrease in Adjusted EBITDA margin for the three months ended June 30, 2012 is largely due to growth in expenses and lower revenues in the period. For the six months of 2012, Adjusted EBITDA decreased by $5,068 to a loss of $6,766 compared to a loss of $1,698 in the same period in 2011. Adjusted EBITDA margin in the six months ended June 30, 2012 was (51%) compared to (11%) in the comparable period in 2011. 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,	
	2012	2011	2012	2011
	(in thousands of dollars, except percentages)		(in thousands of dollars, except percentages)	
Total revenue	$7,119	$7,698	13,255	$15,443
Net loss	(3,128)	(1,453)	(7,635)	(3,879)
Add back:				
Share-based payment expense	355	340	725	1,294
Depreciation	283	185	572	367
Foreign exchange loss (gain)	(300)	110	(132)	625
Finance income	(141)	(67)	(298)	(110)
Finance costs	1	4	2	5
Adjusted EBITDA	**(2,930)**	**(881)**	**(6,766)**	**(1,698)**
Adjusted EBITDA margin	**(41%)**	**(11%)**	**(51%)**	**(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, 2012. 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, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010
	(In thousands of dollars, except share figures) (Unaudited)							
Revenue	$7,119	6,136	$ 7296	7,510	$ 7,698	$ 7,745	$ 8,627	$ 5,889
Net income (loss)	(3,128)	(4,508)	(2,977)	(687)	(1,453)	(2,426)	(9)	(754)
Weighted average number of shares outstanding (000`s):								
Basic	19,811	19,692	19,661	19,562	17,053	14,705	14,217	14,127
Diluted	19,811	19,692	19,661	19,562	17,053	14,705	14,217	14,127
Net income (loss) per share:								
Basic	$ (0.16)	$ (0.23)	(0.15)	$ (0.04)	$ (0.08)	$ (0.16)	$ 0.00	$ (0.05)
Diluted	$ (0.16)	$ (0.23)	(0.15)	$ (0.04)	$ (0.08)	$ (0.16)	$ 0.00	$ (0.05)

Liquidity and Capital Resources

As of June 30, 2012, we held cash and cash equivalents of $54,615. 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,	
	2012	2011
Net cash flows used in operating activities	$ (6,693)	$ (4,969)
Net cash flows from financing activities	788	39,745
Net cash flows from investing activities	4,148	4,557
Effect of exchange rate changes on cash and cash equivalents	154	(445)
Increase (decrease) in cash and cash equivalents	(1,603)	38,888
Beginning cash and cash equivalents	56,218	23,942
Ending cash and cash equivalents	54,615	62,830

Net cash used in operating activities

We used additional cash of $6,693 in operating activities for the six months ended June 30, 2012 compared to $4,969 for the comparative period in 2011, with majority of the use of cash was from operations. Changes in non-cash working capital generated cash inflows of $32 compared to cash outflows of $3,071 for the comparative period in 2011.

Net cash flows from financing activities

For the six months ended June 30, 2012, net cash generated from financing activities was $788. This consisted of proceeds received from the exercise of stock options by agents of the 2010 private placement totalling $635, proceeds received of $47 from the exercise of stock options by employees, proceeds received of $143 from the repayment of share purchase loans offset by repayment of $35 on account of capital leases and interest paid of $2. Net cash from investing activities totalled $39,745 for the six months ended June 30, 2011. This consisted primarily of gross proceeds received from the IPO of $43,650, proceeds received of $22 from the exercise of employee 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 flows from investing activities

For the six months ended June 30, 2012, net cash from investing activities was $4,148 which consisted primarily of a net redemption of short-term investments of $4,005, interest received of $298, offset by the purchase of property and equipment of $155. Net cash from investing activities totalled $4,557 for the six months ended June 30, 2011. This consisted primarily of a net redemption of short-term investment of $5,090, interest received of $110, decrease in other assets of $54, offset by the purchase of property and equipment of $589.

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

In March, 2012, the Company entered into agreements to participate in a two-year healthcare initiative with other parties which, in part results in the recognition of revenue from software licenses, services and maintenance over eight quarters commencing second quarter of 2012. As part of this initiative, the Company has committed to make a cash contribution of $1,431 and provide in-kind contributions relating to project strategy, planning and management. The majority of these in-kind contributions are expected to be funded through the Company's existing cost structure.

In March, 2012, the Company has entered into an agreement with Beth Israel Deaconess Medical Center to digitize the Passport to TRUST program. The agreement is for a period of two years and the Company is committed to make financial contributions of US$1,056 over the term of the agreement and will expense these as research and development expenses, as incurred, in profit or loss.

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 $1,558 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, 2012	4	82%
Six months ended June 30, 2012	4	83%
Three months ended June 30, 2011	3	84%
Six months ended June 30, 2011	2	76%

	Accounts receivable	
	Number of customers	**% of total**
As at June 30, 2012	3	85%
As at December 31, 2011	3	65%

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.

The 2011 annual financial statements, as well as the 2011 annual MD&A, outlined the accounting policies and estimates that are critical to the understanding of the Company's business operations and our results of operations.

We believe that there have been no significant changes in our critical accounting estimates for the six months June 30, 2012 from the annual audited financial statements for the years ended December 31, 2011 and 2010.

Recent Accounting Pronouncements

The Company has not yet adopted certain standards, interpretations and amendments that have been issued but are not yet effective. Unless otherwise indicated, the following accounting pronouncements are required to be applied beginning on or after January 1, 2013. Refer to our 2011 annual financial statements for a brief description of each accounting pronouncement. The Company is assessing the impact of the following accounting pronouncements on its financial statements:

- *IFRS 13, Fair Value Measurement*
- *IAS 1, Presentation of Financial Statements (amended 2011)*
- *IFRS 9, Financial Instruments, effective January 1, 2015*

Outstanding Common Share Data

As of June 30, 2012, 20,782,780 Common Shares were issued and outstanding.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At June 30, 2012, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

Management is responsible for designing and maintaining internal controls over financial reporting as defined under National Instrument 52-109. At June 30, 2012, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control — Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the three and six months ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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 2, 2012. A replay of the call will be available beginning August 2, 2012 at 8:00 p.m. ET through 11:59 p.m. ET on August 9, 2012 and can be accessed by dialling 416-849-0833 and using password 12297950.

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