

Condensed Interim Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

NEXJ SYSTEMS INC.

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

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,172	\$ 56,218
Short-term investments	–	4,068
Accounts receivable	7,782	4,128
Investment and other tax credits receivable	235	2,801
Prepaid expenses and other assets	1,032	1,323
Total current assets	61,221	68,538
Non-current assets:		
Property and equipment	4,072	4,596
Other assets	260	260
Total non-current assets	4,332	4,856
Total assets	\$ 65,553	\$ 73,394
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,073	\$ 4,805
Current portion of obligations under capital leases	–	41
Deferred revenue	5,176	2,097
Total current liabilities	9,249	6,943
Non-current liabilities:		
Accrued liabilities	960	1,053
Deferred revenue	538	–
Total non-current liabilities	1,498	1,053
Total liabilities	10,747	7,996
Shareholders' equity:		
Share capital (note 3)	80,701	79,831
Share purchase loans (note 3)	(3,622)	(3,803)
Contributed surplus (note 4)	4,640	4,034
Deficit	(26,913)	(14,664)
Total shareholders' equity	54,806	65,398
Subsequent event (note 8)		
Total liabilities and shareholders' equity	\$ 65,553	\$ 73,394

See accompanying notes to condensed interim financial statements.

NEXJ SYSTEMS INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenue:				
License fees	\$ 1,051	\$ 1,217	\$ 3,225	\$ 7,082
Professional services	3,712	5,409	12,336	13,596
Maintenance and support	1,319	884	3,776	2,275
	6,082	7,510	19,337	22,953
Expenses*:				
Professional service costs	2,401	2,771	7,638	7,292
Research and development, net	3,865	3,425	11,223	9,885
Sales and marketing	1,912	1,818	6,139	5,916
General and administrative	2,125	1,912	6,621	5,635
	10,303	9,926	31,621	28,728
Loss from operations	(4,221)	(2,416)	(12,284)	(5,775)
Foreign exchange gain (loss)	(547)	1,600	(415)	975
Finance income	154	130	452	240
Finance costs	—	(1)	(2)	(6)
	(393)	1,729	35	1,209
Loss before income taxes	(4,614)	(687)	(12,249)	(4,566)
Income taxes	—	—	—	—
Loss for the period and comprehensive loss	\$ (4,614)	\$ (687)	\$ (12,249)	\$ (4,566)
Loss per share (note 5):				
Basic and diluted	\$ (0.23)	\$ (0.04)	\$ (0.62)	\$ (0.27)
*Share-based payment expense has been included in expenses as follows:				
Professional service costs	\$ 54	\$ 60	\$ 181	\$ 222
Research and development, net	85	101	307	408
Sales and marketing	(122)	71	44	512
General and administrative	90	126	300	510
	\$ 107	\$ 358	\$ 832	\$ 1,652

See accompanying notes to condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Nine months ended September 30, 2012
(Unaudited)

	Common shares Number*	Common shares Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2012	19,675	\$ 79,831	\$ (3,803)	\$ 4,034	\$ (14,664)	\$ 65,398
Comprehensive loss	–	–	–	–	(12,249)	(12,249)
Share-based payment expense (note 4)	–	–	–	832	–	832
Exercise of employee stock options	15	88	–	(41)	–	47
Repayment of share purchase loans by employees* (note 3)	33	–	143	–	–	143
Cancellation of shares pursuant to share purchase loan (note 3)	–	(38)	38	–	–	–
Exercise of stock options by agents of private placement (note 4)	110	820	–	(185)	–	635
Balance, September 30, 2012	19,833	\$ 80,701	\$ (3,622)	\$ 4,640	\$ (26,913)	\$ 54,806

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At September 30, 2012, 950 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total number of outstanding common shares of 20,783.

See accompanying notes to condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Nine months ended September 30, 2011
(Unaudited)

	Common shares Number*	Common shares Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2011	14,704	\$ 35,455	\$ –	\$ 2,196	\$ (7,121)	\$ 30,530
Comprehensive loss	–	–	–	–	(4,566)	(4,566)
Share-based payment expense (note 4)	–	–	–	1,652	–	1,652
Exercise of employee stock options	8	30	–	(8)	–	22
Issuance of common shares as part of IPO (note 3(b))	4,850	43,650	–	–	–	43,650
Financing costs incurred relating to the IPO (note 3)	–	(3,905)	–	–	–	(3,905)
Issuance of common shares to employees* (note 4)	–	3,842	(3,842)	–	–	–
Repayment of share purchase loans by employees* (note 4)	3	–	16	–	–	16
Balance, September 30, 2011	19,565	\$ 79,072	\$ (3,826)	\$ 3,840	\$ (11,687)	\$ 67,399

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At September 30, 2011, 996 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total number of outstanding common shares of 20,561.

See accompanying notes to condensed interim financial statements.

NEXJ SYSTEMS INC.

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

	Nine months ended September 30,	
	2012	2011
Cash flows from operating activities:		
Loss for the period	\$ (12,249)	\$ (4,566)
Adjustments for:		
Depreciation	850	566
Share-based payment expense	832	1,652
Finance income	(452)	(240)
Finance costs	2	6
Foreign exchange loss (gain)	198	(695)
Change in non-cash operating working capital:		
Accounts receivable	(3,654)	(1,810)
Prepaid expenses and other assets	291	(770)
Investment and other tax credits receivable	2,566	752
Accounts payable and accrued liabilities	(876)	(869)
Deferred revenue	3,617	(2,636)
Net cash flows used in operating activities	(8,875)	(8,610)
Cash flows from financing activities:		
Obligations under capital leases	(41)	(49)
Exercise of employee stock options	47	22
Exercise of agent stock options	635	–
Repayment of share purchase loans	143	16
Issuance of common shares	–	43,650
Financing costs	–	(3,905)
Interest paid	(2)	(6)
Net cash flows from financing activities	782	39,728
Cash flows from investing activities:		
Purchase of property and equipment	(275)	(1,760)
Redemption of short-term investments	4,005	5,090
Interest received	452	240
Increase in other assets	–	(64)
Net cash flows from investing activities	4,182	3,506
Effects of exchange rates on cash and cash equivalents	(135)	674
Increase (decrease) in cash and cash equivalents	(4,046)	35,298
Cash and cash equivalents, beginning of period	56,218	23,942
Cash and cash equivalents, end of period	\$ 52,172	\$ 59,240
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	\$ 51	\$ 1,375

See accompanying notes to condensed interim financial statements.

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

1. Reporting entity:

NexJ Systems Inc. (the "Company") is incorporated in Canada with its corporate headquarters located at 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6.

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

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited financial statements as at and for the year ended December 31, 2011. The notes presented in these condensed interim financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These condensed interim financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the year ended December 31, 2011.

These condensed interim financial statements were approved by the Board of Directors on November 6, 2012.

(b) Basis of measurement:

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

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

3. Share capital:

- (a) On March 28, 2011, in preparation of its initial public offering ("IPO"), the Company entered into loan and share pledge agreements with certain employees and officers ("Exercise Persons") in order to reduce the amount of the Company's outstanding option pool. The participating employees were given an interest-free share purchase loan to exercise all of the options as of March 28, 2011, which were originally scheduled to vest on or prior to December 31, 2011. The Company provided \$3,745 in share purchase loans to facilitate the issuance of 970,898 common shares as a result of the acceleration involving the exercise of the applicable employee stock options. On May 2, 2011, as part of the March 28, 2011 agreements, the Company provided an additional \$97 in share purchase loans to facilitate the issuance of 28,123 common shares as a result of the acceleration involving the exercise of the applicable employee stock options.

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

For the nine months ended September 30, 2012, the Company received repayment of \$143 (2011 - \$16) for 32,812 common shares (2011 - 2,812) and also cancelled 6,250 common shares (2011 - nil) amounting to \$38 (2011 - nil) with respect to the share loan and pledge agreements. At September 30, 2012, 950,272 common shares (2011 - 989,334) for proceeds of \$3,622 (2011 - \$3,803) were held as security by the Company with respect to the share loan and pledge agreements.

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

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

3. Share capital (continued):

For the three and nine months ended September 30, 2012, the Company expensed \$152 and \$448 (2011 - nil) relating to these retention bonuses for certain Exercise Persons.

- (b) On May 18, 2011, the Company completed its IPO on the Toronto Stock Exchange. The Company issued 4,850,000 common shares from treasury at a price of \$9 per share for gross proceeds of \$43,650. The Company incurred expenses, including underwriters' fees, of \$3,905 relating to the IPO, which have been included within shareholders' equity as a reduction of share capital.

4. Share-based payment arrangements:

At September 30, 2012, the Company had the following share-based payment arrangements:

(a) Stock option plan:

- (i) The total share-based payment expense and the amount credited to contributed surplus, with respect to the 2012 Option Plan, for the three and nine months ended September 30, 2012 was \$107 and \$832 (2011 - \$358 and \$1,652), respectively. During the three and nine months ended September 30, 2012, 124,387 and 181,333 (2011 - 35,900 and 94,038), respectively, vested and unvested options were cancelled, which resulted in a credit of \$210 and \$258 (2011 - \$23 and \$25), respectively, recorded against share-based payment expense.
- (ii) In April 2010, the Company issued 208,696 stock options to the agents of the private placement transaction that took place in 2010. These options were issued at an exercise price of \$5.75 and expire on March 31, 2012. In March 2012, the agents exercised 110,469 options for gross proceeds of \$635. In October 2011, the agents exercised 98,087 options for gross proceeds of \$564. The remaining 140 options expired unexercised on March 31, 2012.
- (iii) The Company accelerated the vesting of certain employee stock options, enabling them to be exercised as of March 28, 2011. As a result, the Company recorded an additional share-based payment expense for the three and nine months ended September 30, 2012 of nil (2011 - nil and \$243), respectively.

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

4. Share-based payment arrangements (continued):

The following table outlines the activity for stock options for the nine months ended September 30, 2012 and 2011:

	2012		2011	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	1,391	\$ 6.08	2,174	\$ 4.60
Granted	262	7.06	334	8.69
Exercised	(15)	3.26	(1,007)	3.84
Cancelled	(180)	6.45	(94)	6.10
Outstanding, end of period	1,458	6.24	1,407	6.01
Exercisable	454	\$ 5.42	104	\$ 3.47

At September 30, 2012, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding (000s)	Weighted average remaining contractual life (years)
\$2.50 - 3.50	213	6.60
3.51 - 4.50	14	6.89
4.51 - 5.50	36	6.86
5.51 - 6.50	672	7.78
6.51 - 7.50	37	6.55
7.51 - 8.50	310	6.19
8.51 - 9.00	176	5.63
	1,458	6.95

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

4. Share-based payment arrangements (continued):

(b) Deferred share units ("DSUs"):

In August 2012, the Company granted an additional 56,122 DSUs amounting to \$275 for 2012 bringing the total issued and outstanding DSUs held by the independent members of the Board of Directors to 85,534 for a total amount of \$500 as their remuneration for the services rendered on the Company's Board. These DSUs vest immediately and the DSUs can only be settled in cash and will be paid out when the Board member is no longer rendering service to the Company. Accordingly, the Company has treated these arrangements as cash-settled awards and has recorded the changes in the fair value of the award of \$36 (2011 - nil) in the profit or loss using the Company's share price as at September 30, 2012.

As at September 30, 2012, the total accrual for these DSUs was \$398 (2011 - \$210), which was included in non-current liabilities.

5. Loss per share:

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Numerator:				
Loss for the period	\$ 4,614	\$ (687)	\$ (12,249)	\$ (4,566)
Denominator:				
Weighted average number of shares:				
Basic	19,814	19,562	19,814	17,125
Loss per share:				
Basic and diluted	\$ (0.23)	\$ (0.04)	\$ (0.62)	\$ (0.27)

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

5. Loss per share (continued):

During the three and nine months ended September 30, 2012, there were 290 and 386 (2011 - 2,802 and 2,648), respectively, weighted average outstanding stock options and common share unit options, as applicable, excluded from the computation of diluted loss per share as they were anti-dilutive.

6. Segment reporting:

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

The following information provides the required enterprise-wide disclosures:

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
United States of America	\$ 4,976	\$ 5,605	\$ 15,351	\$ 17,634
Canada	675	1,149	2,816	3,573
Europe	431	756	1,170	1,746
	<u>\$ 6,082</u>	<u>\$ 7,510</u>	<u>\$ 19,337</u>	<u>\$ 22,953</u>

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

NEXJ SYSTEMS INC.

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

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

7. Contractual obligations:

- (a) In March 2012, the Company entered into agreements to participate in a two-year Canadian healthcare initiative with other parties, which, in part, results in the recognition of revenue from software licenses, services and maintenance over eight quarters commencing in the second quarter of 2012. As part of this initiative, the Company committed to a cash contribution of \$1,431, which was paid in the third quarter of 2012, and to provide in-kind contributions through the duration of the agreements, 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.
- (b) In March 2012, the Company 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 U.S. \$1,056 over the term of the agreement and will expense these as research and development expenses, as incurred, in the condensed interim statements of comprehensive loss. For the three and nine months ended September 30, 2012 and 2011, the Company incurred \$132 and \$288, respectively, of research and development expenses relating to this agreement.

8. Subsequent event:

On November 1, 2012, the Company acquired all of the outstanding shares of Broadstreet Data Solutions Inc. ("Broadstreet"), a privately held company based in Toronto, Ontario, Canada that offers complementary expertise in data governance and management, data integration and quality, business intelligence and analytics, and mobile application development, for a consideration of up to \$8,162, based on the closing price of NexJ common shares on that date, to be settled in a combination of 54% cash and 46% common shares of the Company. On closing, the Company paid cash of \$3,240 and issued 527,905 common shares. A portion of the total consideration as above includes up to \$2,192 which is subject to an earn-out arrangement, payable in cash and common shares, based on certain post-acquisition period financial targets ending on December 31, 2013. The results of Broadstreet will be consolidated in the Company's financial statements beginning on November 1, 2012. The Company is in the process of preparing the preliminary assessment related to the fair value measurement and recognition of the identifiable assets acquired and the liabilities assumed as part of this acquisition which will be included in the 2012 annual consolidated financial statements of the Company.