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 consolidated financial statements for the three months ended March 31, 2014, 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 consolidated financial statements for the years ended December 31, 2013 and 2012 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 May 6, 2014, 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.

Risks and Uncertainties

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

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 adjusting for share-based payment expense, depreciation and amortization, lease-exit charges, net, earn-out expense (recovery), foreign exchange gain (loss), finance income, finance costs 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 expenses related to share-based payment expense, lease-exit charges, net, estimated earn-out obligations 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 provider of cloud-based software, delivering enterprise solutions to the financial services, insurance, and healthcare industries. All of NexJ's solutions are built and deployed on a common platform that is specifically architected to address the integration, customization, and scalability requirements of large enterprises. The platform is built to accommodate private and public cloud deployments. Once deployed, the flexible architecture permits our customers to evolve the solution as their business needs or back office systems change over time. NexJ also provides expert services to ensure successful deployments and help organizations maximize the value of their enterprise data. These services include data governance and master data management, data analytics and business intelligence and enterprise mobilization.

NexJ's solutions deliver industry-specific capabilities and leverage the platform to access information from multiple applications and data stores to deliver comprehensive knowledge of an individual to a user through any channel. Our solutions are differentiated by their ability to be tailored to our customers' specific business, integrated with our customers' existing enterprise systems and perform at scale.

In financial services and insurance, the customer knowledge gained through the use of NexJ solutions allows firms to transform transaction or account-based views of information such as equity trades or insurance policies to a customer-centric view to better know and thus sell to and service them. The solutions include industry-specific capabilities that promote ongoing, personalized, interactions, to help organizations establish strong and trusted relationships with their customers. Firms can use this customer-centric view to display all relevant information for an individual, evolve innovative service strategies, increase effectiveness and efficiencies across a wide variety of people-centered processes, and be more competitive.

In healthcare, our open, scalable, and feature-rich platform shifts healthcare to the patient, allowing healthcare providers to interact with patients for wellness, outside the walls of the hospital and clinical practices. We believe many of the pressing issues facing healthcare — improving the quality of care, enhancing patient safety, and managing the cost and scope of services — can be solved by applying a people-centered healthcare model. By empowering patients to take greater responsibility for their own health and healthcare and more actively participate in their own wellness management, patient outcomes will improve and the cost of care will be lower. NexJ Connected Wellness is an innovative people-centered solution designed to empower patients to proactively manage their own healthcare and wellness. It can provide people with access to their health records and connect 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.

In 2014, the Company undertook and finalized an internal re-organization and management of its operating activities. As a result, the Company now evaluates operational performance based on two reportable segments, Enterprise Software and Healthcare.

The Enterprise Software segment includes enterprise solutions for finance and insurance industries with industry-specific capabilities that promote ongoing, personalized interactions, to help organizations establish strong and trusted relationships with their customers. This segment also includes the Company's data analytics, business intelligence and mobile solutions. The Healthcare segment includes solutions for patient activation designed to empower patients to proactively manage their own health and wellness.

Our revenue consists primarily of software license fees, professional service fees, maintenance fees and net license reseller fees. Software license revenue is comprised of license fees charged for the use of our software products typically licensed under perpetual arrangements. Net license reseller fees which has been classified as part of license revenue is comprised of revenue from sales through reseller arrangements when the software license is sold to the end-user customer and arrangements in which the Company acts as an agent are presented on a net basis. Professional service revenue consists of fees charged for customization, implementation and ongoing services associated with 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 campaigns, 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.

First Quarter Financial Highlights

- Revenue increased by 12% to $7,305 for the three months ended March 31, 2014 from $6,535 for the three months ended March 31, 2013.
- Adjusted EBITDA (as defined above) was a loss of $2,271, or $(0.11) per share (basic and diluted), for the three months ended March 31, 2014 as compared to loss of $5,864, or $(0.29) per share (basic and diluted) in the comparative period in 2013.
- Net loss was $1,886, or $(0.09) per share (basic and diluted), for the three months ended March 31, 2014 as compared to a net loss of $6,674, or $(0.33) per share (basic and diluted) in the comparative period in 2013.

Subsequent Event

On April 23, 2014, the Company acquired all of the outstanding shares of Liberate Ideas Inc. ("Liberate"), a privately held company based in Toronto, Ontario, Canada. Liberate is the developer of Liberate Health, a point-of-care patient education application used by healthcare professionals to effectively and efficiently educate patients at the point-of-care using a portfolio of infographic teaching presentations, designed to make condition and/or treatment conversations highly engaging, memorable and actionable. The total purchase consideration is up to $2,000. On closing, the Company paid cash of $500 and issued 237,192 common shares at a price of $2.11 per share, based on the 20 trading day average closing price of NexJ's common shares preceding the date of the acquisition. A portion of the total consideration as above includes up to $1,000 which is representative of contingent consideration that is subject to an earn-out arrangement, payable in cash and common shares, based on certain post-acquisition period financial targets ending on April 23, 2015. Liberate adds to the Company's vision for NexJ Connected Wellness with its point-of-care patient education. The introduction of Liberate will deliver a medication adherence solution that improves clinical outcomes and directly addresses the pharmaceutical industry's strategic initiatives around patient centricity.

Results of Operations

Historically, our operating results have fluctuated significantly. This is due to the fact that we enter into large enterprise 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 months ended March 31, 2014 and 2013:

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

	Three months ended March 31,		Period-Over-Period Change	
	2014	**2013**	**$**	**%**
Revenue	$7,305	$6,535	$770	12%
Expenses				
Professional service costs (1)	3,730	4,162	(432)	(10)%
Research and development, net (2)	2,625	3,810	(1,185)	(31)%
Sales and marketing (3)	1,546	2,318	(772)	(33)%
General and administrative(4)	1,675	2,109	(434)	(21)%
Total Expenses	9,576	12,399	(2,823)	(23)%
Adjusted EBITDA(1)	(2,271)	(5,864)	3,593	61%
Share-based payment expense	131	222	(92)	(41)%
Depreciation and amortization	404	452	(48)	(12)%
Lease-exit charges, net	(625)	—	(625)	n/m
Earn-out expense (recovery)	—	384	(384)	n/m
Foreign exchange gain	212	112	100	89%
Finance income	(83)	(136)	53	(39)%
Loss before income taxes	(1,886)	(6,674)	4,788	72%
Income taxes	—	—	—	—
Net loss	(1,886)	(6,674)	4,788	72%
Weighted average number of common shares outstanding (000's)				
Basic and diluted	20,280	20,368		
Net loss per share				
Basic and diluted	$(0.09)	$(0.33)		
Adjusted EBITDA per share (1)				
Basic and diluted	$(0.11)	$(0.29)		

n/m — not meaningful

(1) Professional services costs for the quarter ended March 31, 2014 excludes share-based payment expense of $45 (2013 - $59) and earn-out expense of nil (2013 – earn-out expense of $79).

(2) Research and development expenses for the quarter ended March 31, 2014 excludes share-based payment expense of $50 (2013 - $61).

(3) Sales and marketing expenses for the quarter ended March 31, 2014 excludes share-based payment expense of $14 (2013 - $39) and earn-out expense of nil (2013 – earn-out expense of $305).

(4) General and administrative expenses for the quarter ended March 31, 2014 exclude share-based payment expense of $22 (2013 - $63), depreciation and amortization of $404 (2013 - $452) and reversal of lease-exit charges of $625 (2013 – nil).

	As at March 31, 2014	As at December 31, 2013
	(In thousands of dollars)	
Selected Statement of Financial Position Data		
Cash and cash equivalents	27,412	29,293
Total assets	41,937	46,823
Deferred revenue	3,878	5,233
Total non-current liabilities	773	1,550
Total liabilities	8,804	11,820
Total shareholders' equity	33,133	35,003

Comparison of quarter ended March 31, 2014 and 2013

Revenue

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the three months ended March 31, 2014 and 2013:

(In thousands of dollars, except percentages)	Three months ended March 31,		Period-Over-Period Change	
	2014	2013	$	%
Licenses	$291	$433	$(142)	(33)%
Professional services	5,502	4,764	738	15%
Maintenance and support	1,512	1,338	174	13%
Total	$7,305	$6,535	$770	12%

Total revenue for the quarter ended March 31, 2014 was $7,305, an increase of $770, or 12%, compared to $6,535 for the comparative period in 2013. The increase in revenue was mainly due to the increase in the professional services revenue with our existing customers where software license deployment and acceptance had taken place in prior periods. With respect to the license revenue, the Company had fewer active large customer contracts where software license deployments were in progress, thereby impacting the license revenue as well as the related implementation services revenue.

Licenses — License revenue for the quarter ended March 31, 2014 decreased by $142, or 33%, to $291, from $433 for the comparative period in 2013. The decrease was due to fewer active large customer contracts with software licenses in the current period as compared to the same period in 2013. For our enterprise solutions, 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 applicable accounting criteria.

With respect to the current status of our customer projects at March 31, 2014, 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.

Professional services — Professional services revenue for the quarter ended March 31, 2014 increased by $738, or 15%, to $5,502, from $4,764 for the comparative period in 2013. As noted above, for our enterprise solutions, we follow contract accounting which involves the use of 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 timing of the execution of larger software arrangements and the initial implementation and software deployment impacts the volume of professional services. For the quarter ended March 31, 2014, the increase was mainly due to the increase in the incremental non-essential professional services to some of our existing customers where software license deployment and acceptance had taken place in prior periods.

Maintenance and support — Maintenance and support revenues for the quarter ended March 31, 2014 increased by $174, or 13%, to $1,512, from $1,338 for the comparative period in 2013. The commencement of the annual maintenance and support contracts post software deployment for two additional customers contributed to the increase in the quarter ended March 31, 2014.

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

	Three months ended March 31,	
	2014	2013
	(In thousands of dollars)	
United States of America	$ 2,615	$ 3,647
Canada	3,832	2,848
Europe	858	40
Total	$ 7,305	$ 6,535

Deferred Revenue

The deferred revenue balance at March 31, 2014 was $3,878, comprised of $402 from software license and professional services arrangements and $3,476 in annual maintenance and support revenue.

In the current quarter, we recognized revenue of $2,092 that was deferred at December 31, 2013, comprised of $845 from software license and professional services arrangements where progress to completion continued in the current quarter and $1,247 from annual maintenance and support revenue.

The following sets forth the breakdown of our revenue recognized by reportable segment, and the change for the three months ended March 31, 2014 and 2013:

Enterprise Software Segment

(In thousands of dollars, except percentages)	Three months ended March 31,		Period-Over-Period Change	
	2014	2013	$	%
Licenses	$100	$242	$(142)	(59)%
Professional services	4,054	4,723	(669)	(14)%
Maintenance and support	1,414	1,232	182	15%
Total	$5,568	$6,197	$(629)	(10)%

For the quarter ended March 31, 2014, total revenue in the enterprise software segment decreased by $629, or 10%, to $5,568, from $6,197 for the comparative period in 2013. The decrease was due to the fewer active large customer contracts with software licenses in 2013. In addition, the services revenue was comparatively lower with our existing customers where software license deployment and acceptance had taken place in prior periods. The decrease was partially offset by increase in the maintenance and support revenue as the annual maintenance and support terms commenced for two additional customers post software deployment.

Healthcare Segment

(In thousands of dollars, except percentages)	Three months ended March 31,		Period-Over-Period Change	
	2014	2013	$	%
Licenses	$191	$191	$—	—
Professional services	1,448	41	1,407	n/m
Maintenance and support	98	106	(8)	(8)%
Total	$1,737	$338	$1,399	n/m

n/m — not meaningful

For the quarter ended March 31, 2014, total revenue in the healthcare segment increased by $1,399, to $1,737, from $338 for the comparative period in 2013. The increase is due to the professional services provided to certain community healthcare centres and Ontario hospitals as part of the Connected Health and Wellness Project funded by the Federal Economic Development Agency for Southern Ontario, which was a two year initiative, ending March 31, 2014, pursuant to which the Company had previously delivered all of the software licenses in 2012.

Expenses

The following table sets forth the breakdown of our expenses by category and the change for the three month periods ended March 31, 2014 and 2013:

(In thousands of dollars, except percentages)	Three months ended March 31,		Period-Over-Period Change	
	2014	2013	$	%
Professional service costs	$ 3,730	$ 4,162	$(432)	(10)%
Research and development	2,625	3,810	(1,185)	(31)%
Sales and marketing	1,546	2,318	(772)	(33)%
General and administrative	1,675	2,109	(434)	(21)%
Total	$9,576	$12,399	(2,823)	(23)%

Total expenses for the quarter ended March 31, 2014 decreased by $2,823, or 23%, to $9,576, from $12,399 for the comparative period in 2013. The expenses decreased in the current quarter as a result of the Company committing in 2013 to optimizing its cost structure and focusing on reducing costs and driving efficiencies in the business and as a result, in 2013, the Company reduced its costs by approximately $9,000 on an annualized basis through a combination of restructuring and attrition of employees who will not be replaced until business growth warrants. The Company experienced these cost savings in the current quarter and expects these cost savings to continue in future quarters. Our average employee count for the Company reduced to 247 for the quarter ended March 31, 2014 from 360 in the comparative period in 2013.

Professional service costs — Professional service costs for the quarter ended March 31, 2014 decreased $432, or 10%, to $3,730, from $4,162 for the comparative period in 2013. The dollar decrease from the same period in the prior year reflects the decline in personnel devoted to professional services with an average of 86 employees in the quarter ended March 31, 2014 as compared to 117 for the comparative period in 2013.

Research and development — Research and development expenses for the quarter ended March 31, 2014 decreased $1,185, or 31%, to $2,625, from $3,810 for the comparative period in 2013. The dollar decrease from the same period in the prior year reflects the decline in personnel devoted to research and development activities with an average of 110 employees in the quarter ended March 31, 2014 as compared to 174 for the comparative period in 2013. The decrease in the headcount was also due to the Company's focus on reducing costs and driving efficiencies in 2013 through a combination of restructuring and attrition of employees. In the prior periods, the focus was on 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, in March 2012 the Company teamed with Beth Israel Deaconess Medical Center to digitize the Passport to TRUST program, the duration of the arrangement being two years ending on March 31, 2014. The Passport to TRUST program transforms the doctor-patient interaction through the integration with NexJ's Connected Wellness as an online medical dashboard – the TRUST Passport. The Company recorded $107 of research and development expenses relating to this agreement for the quarter ended March 31, 2014 as compared to $134 in the comparative period of 2013. As a result of this arrangement, the Company through Massachusetts eHealth Institute was awarded a grant contingent upon meeting certain milestones to improve the healthcare by providing a direct and secure link to the exchange, with the goal of having every provider in the Commonwealth of Massachusetts over NexJ Connected Wellness, enabling healthcare providers to securely access patient health information, create and deliver patient-friendly care plans that patients can share with their care team, family and friends, and drive sustainable behaviour change with personal health coaching. During the quarter ended March 31, 2014, the Company recorded $167 as a reduction to research and development expenses.

Sales and marketing — Sales and marketing expenses for the quarter ended March 31, 2014 decreased by $772, or 33%, to $1,546, from $2,318 for the comparative period in 2013. The dollar decrease from the prior period reflects the decline in personnel devoted to sales and marketing activities with an average of 32 employees in the quarter ended March 31, 2014 as compared to 43 in the comparative period in 2013. 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 up to six 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.

General and administrative — General and administrative ("G&A") expenses for the quarter ended March 31, 2014 decreased $434, or 21%, to $1,675, from $2,109 for the comparative period in 2013. The dollar decrease from the prior period reflects reduced general overhead costs and the decline in personnel devoted to general and administrative activities with an average of 20 employees in the quarter ended March 31, 2014 as compared to 28 in the comparative period in 2013.

Share-based payment expense

For the quarter ended March 31, 2014, we recognized share-based payment expense of $131 compared to $222 recognized in the comparative period of 2012. The decrease was as a result of fewer number of employee stock options granted and lower grant-date fair values and 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.

Depreciation and amortization

Depreciation of property and equipment and amortization of intangible assets for the quarter ended March 31, 2014 was $404 compared to $452 for the comparative period in 2013 representing a decrease of 12%. The decrease is primarily due to the declining balance method of depreciation used by the Company in that as the net book value reduces, in the absence of any significant additions, the depreciation expense is expected to reduce over the life of the asset.

Lease-exit charges, net

For the quarter ended March 31, 2014, the Company recorded reversal to the lease-exit costs of $625 (2013 – nil) under general and administrative in profit or loss, pertaining to exit of portion of the leased office premises which the Company exited in November 2013. During the three months ended March 31, 2014, the Company commenced negotiating a sub-lease arrangement with a third party and executed an offer to sublease in April, 2014, with the legal agreements to be executed subsequently. As a result, the Company revised its estimates with respect to the vacated office facility and reversed a component of the provision in the amount of $625.

Earn-out expense (recovery)

As part of the acquisition of Broadstreet, a portion of the total consideration up to a maximum of $2,192, payable in 54% cash and 46% common shares, was subject to an earn-out arrangement over the earn-out period ending December 31, 2013. The earn-out was determined based on multiple post-acquisition period revenue targets as specified in the share purchase agreement. In addition to the revenue targets, the earn-out arrangement was contingent upon the continued employment of the selling shareholders of Broadstreet during the earn-out period. In the event of resignation or termination of the selling shareholders of Broadstreet with cause from the Company during the earn-out period, the proportionate earn-out amounts were automatically considered to be forfeited.

As at the acquisition date, Management determined these earn-out payments represent compensation for post-combination services to be recognized over the earn-out period and accordingly, excluded this amount from the purchase consideration for the purposes of acquisition accounting. Accordingly, the estimated earn-out obligation was accreted up to its expected amount with any changes in such estimate accounted for during the period prior to settlement.

At the end of the earn-out period, being December 31, 2013, the earn-out provisions were nil as the earn-out targets were not met. Based on the probability of achieving such targets in connection with an assessment of revenue estimates and forecasts at that time, the Company had recorded $384 in profit or loss for the quarter ended March 31, 2013.

Foreign exchange loss (gain)

For the quarter ended March 31, 2014, our foreign exchange gain was $212 compared to $112 for the comparative period in 2013. The change in the foreign exchange impact during the year ended December 31, 2013 was the result of significant fluctuations in exchange rates between the Canadian dollar (our functional currency) and the U.S. dollar as well as change in the US dollar denominated monetary assets held by the Company. During the quarter ended March 31, 2014, the U.S. dollar strengthened by approximately 4% against the Canadian dollar from C$1.0636 to C$1.1055 as compared to 2% or from C$0.9949 to C$1.0160 for the comparative period in 2013. As at March 31, 2014, US dollar denominated net monetary assets were US$2,811 as compared to US$7,872 as at December 31, 2013.

Finance income

Finance income was $83 for the quarter ended March 31, 2014 compared to $136 for the comparative period in 2013. The decrease in the current quarter was primarily a result of decreased average cash and cash equivalents. 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 a net loss of $1,886, or $(0.09) per share (basic and diluted), for the quarter ended March 31, 2014 compared to net loss of $6,674, or $(0.33) per share (basic and diluted), for the same period in 2013. The increase in net loss for the quarter ended March 31, 2014 is largely due to the decrease in expenses relative to the growth in revenues for the same period.

Adjusted EBITDA

For the quarter ended March 31, 2014, Adjusted EBITDA loss decreased by $3,593 to a loss of $(2,271), or $(0.11) per share (basic and diluted) as compared to a loss of $(5,864), or $(0.29) per share (basic and diluted), in the same period in 2013. Adjusted EBITDA margin was (31%) in the current quarter compared to (90%) in the same period in 2013. The decrease in Adjusted EBITDA margin is largely due to decrease in expenses relative to the growth in revenues for the same period. As the revenues of the Company increase, we expect that the expenses as a percentage of revenues will decline over time which will favourably impact the Adjusted EBITDA and Adjusted EBITDA margin. 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 March 31, 2014	Three months ended March 31, 2013
	(in thousands of dollars, except percentages)	
Total revenue	$ 7,305	$ 6,535
Net loss	(1,886)	(6,674)
Add back:		
Share-based payment expense	131	222
Depreciation and amortization	404	452
Lease-exit charges, net	(625)	—
Earn-out expense (recovery)	—	384
Foreign exchange gain	(212)	(112)
Finance income	(83)	(136)
Adjusted EBITDA	**(2,271)**	**(5,864)**
Adjusted EBITDA margin	**(31%)**	**(90%)**

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 March 31, 2014. 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							
	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012
	(In thousands of dollars, except share figures) (Unaudited)							
Revenue	$7,305	$7,379	$6,623	$6,777	$6,535	$6,852	$6,082	$7,119
Net loss	(1,886)	(3,141)	(3,779)	(5,213)	(6,674)	(4,186)	(4,614)	(3,128)
Weighted average number of shares outstanding (000`s):								
Basic	20,280	20,374	20,378	20,369	20,368	20,181	19,814	19,811
Diluted	20,280	20,374	20,378	20,369	20,368	20,181	19,814	19,811
Net loss per share:								
Basic and diluted	$ (0.09)	$ (0.15)	$ (0.19)	$ (0.26)	$ (0.33)	$ (0.21)	$ (0.23)	$ (0.16)

In periods where a net loss was incurred, stock options and common shares issued pursuant to the share purchase loan and pledge agreements 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 license revenue, the pace at which the Company's sales personnel and research and development personnel have expanded 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 certain of our revenues are denominated in U.S. dollars. As a result, in periods where the Canadian dollar strengthens against the U.S. dollar, the Company's revenues are negatively impacted.

Liquidity and Capital Resources

As of March 31, 2014, we held cash and cash equivalents of $27,412. 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.

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

(in thousands of dollars)	Three months ended March 31, 2014	Three months ended March 31, 2013
Net cash flows used in operating activities	$ (1,915)	$ (7,123)
Net cash flows used in financing activities	(115)	—
Net cash flows from investing activities	82	126
Effect of exchange rate changes on cash and cash equivalents	67	(42)
Decrease in cash and cash equivalents	(1,881)	(7,039)
Beginning cash and cash equivalents	29,293	46,263
Ending cash and cash equivalents	27,412	39,224

Net cash flows used in operating activities

We used cash of $1,915 in operating activities for the quarter ended March 31, 2014 compared to $7,123 for the comparative period in 2013. Of the cash used $414 is attributable to movements in non-cash working capital with a significant change arising from the decreases in accounts payable and accrued liabilities and deferred revenue offset by a decrease in accounts receivables and prepaid expenses and other assets period over period and the remainder from operating activities.

For the quarter ended March 31, 2013, we used cash of $7,123 in operating activities. Of the cash used $1,029 is attributable to movements in non-cash working capital with a significant change arising from the decreases in accounts payable and accrued liabilities and deferred revenue offset by a decrease in accounts receivables and increase in prepaid expenses and other assets period over period and the remainder from operating activities.

Net cash flows from financing activities

For the quarter ended March 31, 2014, net cash used in financing activities was $115 pertaining to the repurchase of common shares by the Company.

In December, 2013, the Company applied to the Toronto Stock Exchange (“TSX”) to make a Normal Course Issuer Bid (“NCIB”), which was accepted by the TSX on December 12, 2013, for purchases of its Common Shares through all available markets and/or alternative trading systems, including the facilities of the TSX. The maximum number of Common Shares which may be purchased until December 15, 2014 pursuant to the NCIB, aggregate to 1,000,000 Common Shares, representing approximately 4.7% of the number of Common Shares issued and outstanding as of December 10, 2013. The actual number of Common Shares purchased and the timing of such purchases will be determined by NexJ considering market conditions, stock prices, its cash position, and other factors. During the three months ended March 31, 2014, the Company repurchased and cancelled 57,900 of its common shares through trades on TSX for an aggregate purchase price of $115, which was recorded as a reduction of equity.

For the quarter ended March 31, 2013, the Company did not have any cash flows associated with financing activities.

Net cash flows from investing activities

For the quarter ended March 31, 2014, net cash from investing activities was $82 which consisted of interest received of $83, offset by the purchase of property and equipment of $1.

For the quarter ended March 31, 2013, net cash from investing activities was $126 which consisted of interest received of $136, offset by the purchase of property and equipment of $10.

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 Canadian healthcare initiative with other parties that ended March 31, 2014, which, in part, resulted 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 were funded through the Company's existing cost structure.

In March 2012, the Company entered into an agreement with Beth Israel Deaconess Medical Center to digitize the Passport to TRUST program. The agreement was for a period of two years that ended March 31, 2014 and the Company was committed to make financial contributions of U.S. $1,056 over the term of the agreement and expensed these as research and development expenses, as incurred, in profit or loss. For the three months ended March 31, 2014, the Company incurred $107 (2012 - $44) of research and development expenses relating to this agreement.

Off-Balance Sheet Transactions

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases, all of our liabilities and commitments are reflected as part of our statement of financial position.

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 ended March 31, 2014, we expensed $34 (2013 — $34) 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.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on our net foreign denominated monetary assets could change by approximately $311 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 March 31, 2014	3	46%
Three months ended March 31, 2013	3	40%

	Accounts receivable	
	Number of customers	% of total
As at March 31, 2014	5	63%
As at December 31, 2013	3	50%

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

Credit reviews take into account the counterparty's financial position, past experience and other factors. The 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 financially 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 the foreseeable future, which is 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 consolidated 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.

Our significant accounting policies are fully described in Note 3 to our consolidated financial statements for the years ended December 31, 2013 and 2012 which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the three months ended March 31, 2014 and 2013 from the annual audited consolidated financial statements for the years ended December 31, 2013 and 2012.

Recently Adopted Accounting Pronouncements

The accounting pronouncement indicated below is required to be applied beginning on or after January 1, 2014. Refer to our 2013 annual consolidated financial statements for a brief description of the accounting pronouncement. The Company adopted the following new accounting pronouncement which did not have any impact on its condensed interim consolidated financial statements:

- *IAS 32, Financial Instruments, Offsetting Financial Assets and Financial Liabilities*

Recent Accounting Pronouncements

In addition, the Company has not yet adopted certain standards, interpretations and amendments that have been issued but are not yet effective. Refer to our 2013 annual consolidated financial statements for a brief description of the accounting pronouncement.

- *IFRS 9, Financial Instruments, effective January 1, 2015*

Outstanding Common Share Data

As of May 6, 2014, 21,431,115 Common Shares were issued and outstanding. In addition, there were 1,691,069 stock options outstanding with exercise prices ranging from $2.00 to $9.00 per share.

As at March 31, 2014, there were 182,026 deferred share units ("DSUs") outstanding under the Company's deferred share unit plan for independent members of the Board of Directors, each of which represents the right to acquire one common share when the Board member is no longer rendering service to the Company.

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 March 31, 2014, 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 March 31, 2014, 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 criteria set out in the Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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-month period ended March 31, 2014 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 provider of cloud-based software, delivering enterprise solutions to the financial services, insurance, and healthcare industries. All of NexJ's solutions are built and deployed on a common platform that is specifically architected to address the integration, customization, and scalability requirements of large enterprises. The platform is built to accommodate private and public cloud deployments. Once deployed, the flexible architecture permits our customers to evolve the solution as their business needs or back office systems change over time. NexJ further offers comprehensive data management and data solution application development services.

NexJ's solutions deliver industry-specific capabilities and leverage the platform to access information from multiple applications and data stores to deliver comprehensive knowledge of an individual to a user through any channel. Our solutions are differentiated by their ability to be tailored to our customers' specific business, integrated with our customers' existing enterprise systems and perform at scale.

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, May 6, 2014 and can be accessed by dialing 1-888-231-8191. A replay of the call will be available beginning May 6, 2014 at 8.00 p.m. ET through 11:59 p.m. on May 13, 2014 and can be accessed by dialling 416-849-0833 (Toronto local) or toll free at 1-855-859-2056 and using password 27767650.

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