Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three months ended March 31, 2015 and 2014
(Unaudited)

NEXJ SYSTEMS INC.

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

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 16,455	$ 18,298
Accounts receivable	6,650	7,853
Prepaid expenses and other assets	1,536	1,448
Total current assets	24,641	27,599
Non-current assets:		
Property and equipment	2,296	2,472
Intangible assets	1,415	1,756
Goodwill	2,617	2,617
Other assets	260	260
Total non-current assets	6,588	7,105
Total assets	$ 31,229	$ 34,704
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,699	$ 4,619
Deferred revenue	4,359	4,726
Provisions (note 3)	117	121
Contingent consideration (note 4)	280	678
Total current liabilities	8,455	10,144
Non-current liabilities:		
Accrued liabilities	453	391
Provisions (note 3)	205	234
Deferred tax liability	16	16
Deferred revenue	–	238
Total non-current liabilities	674	879
Total liabilities	9,129	11,023
Shareholders' equity:		
Share capital (note 5)	83,306	83,306
Share purchase loans (note 5)	(3,622)	(3,622)
Contributed surplus (note 6)	5,864	5,783
Deficit	(63,448)	(61,786)
Total shareholders' equity	22,100	23,681
Related party transactions (note 10)		
Total liabilities and shareholders' equity	$ 31,229	$ 34,704

See accompanying notes to the condensed interim consolidated financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Three months ended March 31, 2015	2014
Revenue:		
License and subscription fees	$ 1,137	$ 291
Professional services	3,986	5,502
Maintenance and support	1,220	1,512
	6,343	7,305
Expenses*:		
Professional services	2,881	3,775
Research and development, net	2,430	2,675
Sales and marketing	1,559	1,560
General and administrative, net	2,199	1,476
Contingent consideration adjustment (note 4)	(398)	–
	8,671	9,486
Loss from operations	(2,328)	(2,181)
Foreign exchange gain	626	212
Finance income	40	83
	666	295
Loss before income taxes	(1,662)	(1,886)
Income taxes	–	–
Loss for the period and comprehensive loss	$ (1,662)	$ (1,886)
Loss per share (note 7):		
Basic and diluted	$ (0.08)	$ (0.09)
Weighted average number of common shares outstanding (note 7):		
Basic and diluted	20,459	20,280
*Share-based payment expense has been included in expenses as follows:		
Professional services	$ 27	$ 45
Research and development, net	33	50
Sales and marketing	6	14
General and administrative, net	15	22
	$ 81	$ 131

See accompanying notes to the condensed interim consolidated financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)
(Unaudited)

Three months ended March 31, 2015	Common shares Number*	Common shares Amount	Share purchase loans*	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2015	20,459	$ 83,306	$ (3,622)	$ 5,783	$ (61,786)	$ 23,681
Comprehensive loss	–	–	–	–	(1,662)	(1,662)
Share-based payment expense (note 6(a))	–	–	–	81	–	81
Balance, March 31, 2015	20,459	$ 83,306	$ (3,622)	$ 5,864	$ (63,448)	$ 22,100

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements (note 5) are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2015, 950 common shares were legally issued and outstanding to employees in connection with these agreements and included in the total outstanding common shares of 21,409.

Three months ended March 31, 2014	Common shares Number*	Common shares Amount	Share purchase loans*	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2014	20,330	$ 83,018	$ (3,622)	$ 5,515	$ (49,908)	$ 35,003
Comprehensive loss	–	–	–	–	(1,886)	(1,886)
Share-based payment expense (note 6(a))	–	–	–	131	–	131
Repurchase of common shares (note 5(b))	(58)	(115)	–	–	–	(115)
Balance, March 31, 2014	20,272	$ 82,903	$ (3,622)	$ 5,646	$ (51,794)	$ 33,133

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements (note 5) are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2014, 950 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total outstanding common shares of 21,222.

See accompanying notes to the condensed interim consolidated financial statements.

NEXJ SYSTEMS INC.

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

	Three months ended March 31, 2015	2014
Cash flows from (used in) operating activities:		
Loss for the period	$ (1,662)	$ (1,886)
Adjustments for:		
Depreciation and amortization	529	404
Share-based payment expense	81	131
Finance income	(40)	(83)
Foreign exchange gain	(448)	(67)
Contingent consideration adjustment (note 4)	(398)	–
Change in non-cash operating working capital:		
Accounts receivable	1,204	1,980
Prepaid expenses and other assets	(88)	622
Accounts payable and accrued liabilities and provisions	(905)	(1,661)
Deferred revenue	(604)	(1,355)
Net cash flows used in operating activities	(2,331)	(1,915)
Cash flows from (used in) financing activities:		
Repurchase of common shares	–	(115)
Net cash flows used in financing activities	–	(115)
Cash flows from (used in) investing activities:		
Purchase of property and equipment	–	(1)
Interest received	40	83
Net cash flows from investing activities	40	82
Effects of exchange rates on cash and cash equivalents	448	67
Decrease in cash and cash equivalents	(1,843)	(1,881)
Cash and cash equivalents, beginning of period	18,298	29,293
Cash and cash equivalents, end of period	$ 16,455	$ 27,412
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	$ 13	$ –

See accompanying notes to the condensed interim consolidated financial statements.

1. Reporting entity:

NexJ Systems Inc. (the "Company") is incorporated in Canada with its corporate headquarters located at 10 York Mills Road, Suite 700, Toronto, Ontario, M2P 2G4.

The Company is a provider of cloud-based software, delivering enterprise solutions primarily for the financial services, insurance and health care industries.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 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 consolidated financial statements as at and for the years ended December 31, 2014 and 2013.

The notes presented in these condensed interim consolidated 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 consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2014 and 2013.

These condensed interim consolidated financial statements were approved by the Board of Directors on April 30, 2015.

(b) Basis of presentation:

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (together referred to as the "Company"). Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements. These condensed interim consolidated financial statements have been prepared mainly under the historical cost basis, except for cash-settled deferred share units, which are measured at fair value. Other measurement bases used are described in the applicable notes.

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

3. Provisions:

Three months ended March 31, 2015	Lease-exit charges	Other	Total
Balance, January 1, 2015	$ 355	$ –	$ 355
Provisions used	(33)	–	(33)
Balance, March 31, 2015	$ 322	$ –	$ 322

Three months ended March 31, 2014	Lease-exit charges	Other	Total
Balance, January 1, 2014	$ 1,211	$ 103	$ 1,314
Provisions used	(85)	(103)	(188)
Provisions reversed	(625)	–	(625)
Balance, March 31, 2014	$ 501	$ –	$ 501

(a) Lease-exit charges:

In November 2013, the Company vacated a portion of its leased office premises and recognized a liability for the discounted future lease payments to which the Company is committed; less expected future sublease income as the vacated office facility no longer had any operating business activities. The Company further revised its estimated liability at March 31, 2014 based on securing a sub-tenant for the sub-lease which commenced in July 2014.

During the three months ended March 31, 2015, the Company applied $167 of rent paid, offset by rental income received under the sub-lease arrangement of $134, relating to the vacated portion of its leased office premises against the provision recorded in the prior year.

(b) Other:

Other provisions included retention bonuses to certain Broadstreet Data Solutions Inc. (“Broadstreet”) employees and cash to be paid to the former Broadstreet employees who completed a cashless exercise of their unvested Broadstreet stock options into Broadstreet common shares prior to the acquisition of Broadstreet. During the three months ended March 31, 2014, the balance of $103 was paid in accordance with the Broadstreet acquisition agreement.

4. Contingent consideration:

As part of the acquisition of Liberate Ideas Inc., a portion of the total consideration up to a maximum of $1,000, payable in 50% cash and 50% common shares, is contingent consideration subject to an earn-out arrangement over the earn-out period ending April 23, 2015. The earn-out is determined based on post-acquisition customer bookings target as specified in the Agreement. As at March 31, 2015, the Company reviewed and assessed the probability of achieving such targets and determined that the earn-out targets will not be met. Based on estimates or forecasts, the Company reversed $398 of this contingent consideration liability in the condensed interim consolidated statements of comprehensive loss for the three months ended March 31, 2015, resulting in a balance of contingent consideration liability of $280 (2014 - $678).

5. Share capital:

(a) The Company entered into a non-binding retention bonus agreement dated March 28, 2011 with certain employees and officers ("Exercise Persons"), 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. For the three months ended March 31, 2015, the Company expensed $79 (2014 - $146) relating to these retention bonuses for certain Exercise Persons. The amounts paid to the Exercise Persons under these bonus arrangements are not required to be used to repay the share purchase loans.

(b) In December, 2013, the Company applied to the 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 NCIB was valid for one year and the maximum number of common shares which were to be purchased until December 15, 2014 pursuant to the NCIB, aggregated to 1,000,000 common shares, representing approximately 4.7% of the number of common shares issued and outstanding as of December 10, 2013.

During the three months ended March 31, 2014, the Company repurchased and cancelled 57,900 of its common shares through trades on the TSX for an aggregate purchase price of $115, which was recorded as a reduction of share capital.

6. Share-based payment arrangements:

At March 31, 2015, the Company had the following share-based payment arrangements:

(a) Stock option plan:

The total share-based payment expense and the amount credited to contributed surplus for the three months ended March 31, 2015 was $81 (2014 - $131).

The following table outlines the activity for stock options for the three months ended March 31, 2015 and 2014:

	2015		2014	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	1,406	$ 4.80	1,568	$ 5.46
Granted	792	1.23	282	2.54
Cancelled	(131)	4.03	(78)	4.83
Outstanding, end of period	2,067	3.48	1,772	5.02
Exercisable, end of period	893	$ 5.63	929	$ 5.84

The options issued during the three months ended March 31, 2015 vest and are exercisable in eight equal quarterly instalments over a two-year period.

6. Share-based payment arrangements (continued):

At March 31, 2015, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding	Weighted average remaining contractual life
	(000s)	(years)
$1.00 - $3.00	1,162	6.52
$3.01 - $5.00	211	4.83
$5.01 - $7.00	497	5.23
$7.01 - $9.00	197	3.47
	2,067	5.74

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

The Company grants DSUs to the independent members of the Board of Directors as their annual remuneration for the services rendered as directors on the Company's board. These DSUs vest immediately and can only be settled in cash and will be paid 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 in the profit or loss using the Company's share price as at March 31, 2015. The amount of the award payable is based on the number of units outstanding multiplied by the share price of the Company at the date of the payout.

	2015		2014	
	Number	Amount	Number	Amount
	(000s)		(000s)	
Outstanding, beginning of period	233	$ 290	182	$ 362
Changes in fair value of the award	–	12	–	31
Outstanding, end of period	233	$ 302	182	$ 393

As at March 31, 2015, the total liability for these DSUs, including accrued directors fees for the current period, was $352 (2014 - $450) which was included in non-current liabilities on the condensed interim consolidated statements of financial position.

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

7. Loss per share:

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Numerator:		
Loss for the period	$ (1,662)	$ (1,886)
Denominator:		
Weighted average number of shares:		
Basic	20,459	20,280
Loss per share:		
Basic and diluted	$ (0.08)	$ (0.09)

During the three months ended March 31, 2015, there were nil (2014 - nil) weighted average outstanding stock options excluded from the computation of diluted loss per share as they were anti-dilutive.

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

8. Financial instruments and capital management:

(a) Classification and fair values of financial instruments:

The following table sets out the Company's classification and carrying amount, together with the fair value, for each type of financial asset and financial liability as at March 31, 2015 and December 31, 2014:

	March 31, 2015		December 31, 2014	
Classification	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Held-for-trading:				
Cash equivalents	$ 7,251	$ 7,251	$ 12,777	$ 12,777
Loans and receivables:				
Accounts receivable	6,650	6,650	7,853	7,853
Financial liabilities:				
Other financial liabilities:				
Accounts payable and accrued liabilities	4,152	4,152	5,010	5,010
Provisions	322	322	355	355
Contingent consideration	280	280	678	678

The carrying values of cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities and provisions approximate their fair values due to the short-term nature of these financial instruments.

Fair value measurements:

The Company provides disclosure of the three level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

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

8. Financial instruments and capital management (continued):

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. Financial assets measured at fair value as at March 31, 2015 and December 31, 2014 in the condensed interim consolidated financial statements are summarized below:

March 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 7,251	$ –	$ –	$ 7,251
Financial liabilities:				
Provisions	$ –	$ –	$ 322	$ 322
Contingent consideration	–	–	280	280

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 12,777	$ –	$ –	$ 12,777
Financial liabilities:				
Provisions	$ –	$ –	$ 355	$ 355
Contingent consideration	–	–	678	678

There were no transfers of financial assets during the periods between any of the levels.

(b) Market risk:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of these risks as at March 31, 2015:

(i) Credit risk:

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

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

8. Financial instruments and capital management (continued):

The Company's credit risk is primarily attributable to its accounts receivable. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally large financially established organizations which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

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

	Revenue	
	Number of customers	% of total
Three months ended March 31, 2015	4	68
Three months ended March 31, 2014	3	46

	Accounts receivable	
	Number of customers	% of total
As at March 31, 2015	3	71
As at December 31, 2014	3	79

(ii) Liquidity risk:

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and the issuance of equity. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that the Company has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

8. Financial instruments and capital management (continued):

The majority of the Company's financial liabilities comprise accounts payable and accrued liabilities. Given the Company's available cash and other liquid resources as compared to its liabilities, management assesses the Company's liquidity risk to be low.

(iii) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and Australian dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future. The Company has foreign currency exposure with respect to cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars and Australian dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars and Australian dollars. During the three months ended March 31, 2015, the Company recorded a foreign exchange gain of $626 (2014 - $212). At March 31, 2015, U.S. dollar-denominated net monetary assets totalled approximately U.S. $5,343 (2014 - U.S. $2,811). At March 31, 2015, Australian dollar-denominated net monetary assets totalled approximately AUD $6,494 (2014 - nil).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $1,308 due to the fluctuation and this would be recorded in the condensed interim consolidated statements of comprehensive loss.

(iv) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash equivalents. The impact of change in interest rates is not expected to be significant.

8. Financial instruments and capital management (continued):

(c) Capital management:

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

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development to enhance existing product offerings, as well as, develop new ones, undertake selective acquisitions and 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 its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the up-front cost of taking on new customers.

The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process. The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and shareholders' equity. The Company does not have any externally imposed capital requirements.

9. Segment reporting:

The Company evaluates operational performance based on two reportable segments, Financial Services and Healthcare. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Corporate costs include costs associated with business activities which are not directly attributable to the Company's reportable segments.

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

9. Segment reporting (continued):

The Company's Chief Executive Officer, the chief operating decision maker ("CODM"), evaluates performance, makes operating decisions, and allocates resources based on financial data consistent with the segmented reporting in these condensed interim consolidated financial statements. The accounting policies of the segments are the same as those described in note 2 of the annual audited consolidated financial statements as at and for the years ended December 31, 2014 and 2013.

The CODM reviews Adjusted EBITDA as a key measure of performance for each segment and used this measure to make decisions about the allocation of resources. The Adjusted EBITDA refers to net income (loss) before share-based payment expense, depreciation and amortization, lease-exit charges, net, earn-out expense (recovery), contingent consideration adjustment, foreign exchange gain (loss), finance income, finance costs and income taxes. This measure of segment operating results is different from operating loss as reported in the condensed interim consolidated statements of comprehensive loss.

The following segmented information is regularly reported to the CODM:

Three months ended March 31, 2015	Financial Services	Healthcare	Corporate	Total
Revenue:				
License and subscription fees	$ 1,049	$ 88	$ –	$ 1,137
Professional services	3,959	27	–	3,986
Maintenance and support	1,210	10	–	1,220
	6,218	125	–	6,343
Expenses:				
Professional services	2,675	179	–	2,854
Research and development	1,833	564	–	2,397
Sales and marketing	1,175	378	–	1,553
General and administrative	1,104	331	220	1,655
	6,787	1,452	220	8,459
Adjusted EBITDA	$ (569)	$ (1,327)	$ (220)	(2,116)
Share-based payment expense				81
Depreciation and amortization				529
Contingent consideration adjustment (note 4)				(398)
Loss from operations				(2,328)
Foreign exchange gain				626
Finance income				40
Loss for the period				$ (1,662)

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

9. Segment reporting (continued):

Three months ended March 31, 2014	Financial Services	Healthcare	Corporate	Total
Revenue:				
License and subscription fees	$ 100	$ 191	$ –	$ 291
Professional services	4,054	1,448	–	5,502
Maintenance and support	1,414	98	–	1,512
	5,568	1,737	–	7,305
Expenses:				
Professional services	3,206	524	–	3,730
Research and development	1,506	1,119	–	2,625
Sales and marketing	924	622	–	1,546
General and administrative	1,014	415	246	1,675
	6,650	2,680	246	9,576
Adjusted EBITDA	$ (1,082)	$ (943)	$ (246)	(2,271)
Share-based payment expense				131
Depreciation and amortization				404
Lease-exit charges, net				(625)
Loss from operations				(2,181)
Foreign exchange gain				212
Finance income				83
Loss for the period				$ (1,886)

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

9. Segment reporting (continued):

The following information provides the required enterprise-wide disclosures:

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

	Three months ended March 31, 2015	2014
United States of America	$ 2,496	$ 2,615
Canada	1,270	3,832
Asia Pacific	2,325	–
Europe	252	858
	$ 6,343	$ 7,305

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

10. Related party transactions:

The Company's Chief Executive Officer is a director of Canadian Association for People-Centred Health ("CAPCH"), a not-for-profit organization, and is actively involved in planning, directing and controlling the activities of CAPCH. During the three months ended March 31, 2015, the Company expensed cash contributions of nil (2014 - $34), respectively, which is included in sales and marketing to support the activities of CAPCH.