

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 quarter ended March 31, 2017, 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, 2016 and 2015 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 April 27, 2017, 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 Annual Information Form. 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 operation 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 loss from discontinued operation, share-based payment expense, depreciation and amortization, impairment charge on non-financial assets, impairment of loan receivable and shared services, 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 the loss from discontinued operation as well as expenses related to share-based payment expense, impairment charge on non-financial assets, impairment of loan receivable and shared services, 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 provides enterprise customer management solutions to the financial services industry. NexJ solutions include industry-specific customer relationship management (CRM) to enable collaboration across countries, regions and teams; customer process management (CPM) to streamline workflows such as client onboarding; and customer data management (CDM) to support digital transformation and customer analytics across the enterprise. Our solutions integrate information from multiple systems into a unified view to help firms better understand and share information about their customers to increase loyalty, drive cross-sell and improve the customer experience.

NexJ solutions deliver vertical market functionality to help firms save time and improve service by automating best practices at every stage of the customer lifecycle, sell more by providing the right offer at the right time over the right channel, and be 'one firm' by providing a unified customer experience across all lines of business and channels.

Our revenue consists primarily of software license fees, professional service fees, maintenance and support fees. All NexJ products are licensed either as a one-time purchase (perpetual license) or subscription fee. NexJ's solutions can be deployed on premise, hosted in an external data center and hosted as a managed service. Pricing for NexJ's on-premise solution is based on a perpetual software license model. Professional services revenue consists of fees charged for customization, implementation, integration 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 services expenses include 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 include personnel and related costs associated with our sales and marketing functions, including commissions, direct marketing campaigns, webinars, public relations and other promotional activities.

General and administrative 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, expenses, adjusted EBITDA, adjusted EBITDA margin, adjusted EBITDA per share, and net income (loss). We evaluate our performance on these metrics by comparing our actual results to management budgets, forecasts and prior period performance.

Plan of Arrangement – Healthcare Spin-off and discontinued operation

On January 25, 2016, the Company, NexJ Health Inc. and NexJ Health Holdings Inc., a newly incorporated company, completed a Plan of Arrangement (the “Arrangement”) pursuant to the Canada Business Corporation Act. Upon the effective date of the Arrangement, the Company's shareholders received one new common share of the Company and one common share of NexJ Health Holdings Inc. for each common share of the Company held immediately prior to the Arrangement becoming effective.

The Company has presented the results of the Healthcare business as a discontinued operation in the condensed interim consolidated statements of comprehensive income (loss) for the comparative period from January 1, 2016 to January 24, 2016 to show the discontinued operation separately from the continuing operations.

First Quarter Financial Highlights

- Revenue increased by 9% to \$8,816 for the quarter ended March 31, 2017 from \$8,088 in the comparative period in 2016.
- Adjusted EBITDA (as defined under the non-IFRS measures above) was \$733, or \$0.04 per share (basic) and \$0.03 per share (diluted), for the quarter ended March 31, 2017 as compared to an Adjusted EBITDA of \$282 or \$0.01 per share (basic and diluted) for the comparative period in 2016. Adjusted EBITDA margin was 8% in the current quarter compared to 4% in the same period in 2016.
- Net income (loss) was \$327 or \$0.02 per share (basic and diluted) for the quarter ended March 31, 2017 as compared to a loss of \$2,028, or \$(0.10) per share (basic and diluted), in the comparative period in 2016.

Results of Operations

The following table sets forth a summary of our results of operations for the quarters ended March 31, 2017 and 2016:

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

	Quarter ended March 31,		Period-Over-Period Change	
	2017	2016	\$	%
Revenue*	\$ 8,816	\$ 8,088	728	9
Expenses				
Professional services (1)	2,918	3,125	(207)	(7)
Research and development, net (2)	1,848	2,115	(267)	(13)
Sales and marketing (3)	1,339	1,134	205	18
General and administrative, net (4)	1,978	1,432	546	38
Total Expenses	8,083	7,806	277	4
Adjusted EBITDA	733	282	451	160
Loss from discontinued operation*	—	252	(252)	(100)
Impairment of loan receivable	—	641	(641)	(100)
Share-based payment expense	95	350	(255)	(73)
Depreciation and amortization	232	212	20	9
Foreign exchange loss	98	873	(775)	(89)
Finance income	(19)	(18)	(1)	6
Income (loss) before income taxes	327	(2,028)	2,355	116
Income taxes	—	—	—	—
Net Income (loss)	\$ 327	\$ (2,028)	2,355	116
Weighted average number of common shares outstanding (000's)				
Basic	20,052	20,300		
Diluted	21,270	20,300		
Earnings (loss) per share				
Basic	\$ 0.02	\$ (0.10)		
Diluted	\$ 0.02	\$ (0.10)		
Adjusted EBITDA per share				
Basic	\$ 0.04	\$ 0.01		
Diluted	\$ 0.03	\$ 0.01		

* The Healthcare business was spun off on January 25, 2016 and in the condensed interim consolidated statements of comprehensive loss for the comparative quarter ended March 31, 2016, the revenue and expenses of the Healthcare business have been classified as part of the loss from discontinued operation.

(1) Professional services expenses for the quarter ended March 31, 2017 exclude share-based payment expense of \$18 (2016 - \$101).

(2) Research and development expenses for the quarter ended March 31, 2017 exclude share-based payment expense of \$33 (2016 - \$114).

(3) Sales and marketing expenses for the quarter ended March 31, 2017 exclude share-based payment expense of \$6 (2016 - \$17).

(4) General and administrative expenses for the quarter ended March 31, 2017 exclude share-based payment expense of \$38 (2016 - \$118), and depreciation and amortization of \$232 (2016 - \$212).

	As at March 31, 2017	As at December 31, 2016
	(In thousands of dollars)	
Selected Statement of Financial Position Data	\$	\$
Cash and cash equivalents	13,655	14,678
Total assets	32,594	32,323
Deferred revenue	7,458	7,137
Total non-current liabilities	1,944	1,419
Total liabilities	14,617	14,799
Total shareholders' equity	17,977	17,524

Comparison of quarters ended March 31, 2017 and 2016

Revenue

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the quarters ended March 31, 2017 and 2016:

	Quarter ended		Period-Over-Period	
	March 31,		Change	
	2017	2016	\$	%
(In thousands of dollars, except percentages)				
License fees	\$ 3,183	\$ 1,067	2,116	198
Professional services	3,686	5,121	(1,435)	(28)
Maintenance and support	1,947	1,900	47	2
Total	\$ 8,816	\$ 8,088	728	9

Total revenue for the quarter ended March 31, 2017 was \$8,816, an increase of \$728, or 9%, from \$8,088 recognized in the comparative period in 2016.

License fees — License revenue for the quarter ended March 31, 2017 increased by \$2,116, or 198%, to \$3,183, from \$1,067 recognized in the comparative period in 2016. The revenue recognized for the quarter ended March 31, 2017 was due to a new customer arrangement with a major Global financial services company entered into in the third quarter of 2016 that will continue to deliver software licenses, professional services and maintenance revenue to the Company in the coming quarters as well as due to additional software licenses purchased by an existing customer. In the comparative period, the Company recognized revenue from a customer arrangement with a major Global bank executed in the third quarter of 2015.

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.

Professional services — Professional services revenue for the quarter ended March 31, 2017 decreased by \$1,435, or 28%, to \$3,686, from \$5,121 recognized in the comparative period in 2016. The Company earned professional services revenue from the customer arrangement with a major Global financial services company entered into in the third quarter of 2016. The decrease in professional services revenue was mainly due to decrease in incremental non-essential or post-software deployment professional services to some of our existing customers for the quarter ended March 31, 2017 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, 2017 increased by \$47, or 2%, to \$1,947, from \$1,900 recognized in the comparative period in 2016. The increase in maintenance and support revenue for the quarter ended March 31, 2017 was due to the commencement of maintenance and support with respect to the customer arrangement with a major Global bank wherein the software licenses were deployed in the second quarter of 2016, offset by the maintenance and support revenue for the quarter ended March 31, 2016 included certain one-time hosting and support charges for a customer, which was not the case in the quarter ended March 31, 2017.

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

	Quarter ended March 31,	
	2017	2016
	(In thousands of dollars)	
United States of America.....	\$ 6,880	\$ 3,487
Canada	193	533
Europe.....	1,214	3,063
Asia Pacific.....	529	1,005
Total.....	<u>\$ 8,816</u>	<u>\$ 8,088</u>

Deferred revenue

Deferred revenue balance at March 31, 2017 was \$7,458 (December 31, 2016 - \$7,137), relating to software licenses, professional services arrangements and annual maintenance and support revenue. The increase was mainly due to the maintenance and support charges invoiced to the customers at the commencement of the 2017 term offset by the revenue recognized in the quarter ended March 31, 2017.

In the current quarter, we recognized revenue of \$4,001 that was deferred at December 31, 2016, comprised of \$2,578 from software license and professional services arrangements where progress to completion continued in the current quarter and \$1,423 from annual maintenance and support revenue.

Expenses

The following table sets forth the breakdown of our expenses by category and the change for the quarters ended March 31, 2017 and 2016:

	Quarter ended March 31,		Period-Over-Period Change	
	2017	2016	\$	%
(In thousands of dollars, except percentages)				
Professional services	\$ 2,918	\$ 3,125	(207)	(7)
Research and development, net	1,848	2,115	(267)	(13)
Sales and marketing	1,339	1,134	205	18
General and administrative, net	1,978	1,432	546	38
Total	<u>\$ 8,083</u>	<u>\$ 7,806</u>	<u>277</u>	<u>4</u>

Total expenses for the quarter ended March 31, 2017 increased by \$277, or 4%, to \$8,083, compared to \$7,806 over the comparative period in 2016. Our average full time employee equivalent headcount decreased to 182 for the quarter ended March 31, 2017 from 183 in the comparative period in 2016.

Professional services — Professional services expenses for the quarter ended March 31, 2017 decreased by \$207, or 7%, to \$2,918, from \$3,125 for the comparative period in 2016. For the quarter ended March 31, 2017, the average full time employee headcount devoted to professional services was 71 as compared to 73 for the comparative period in 2016, which resulted in a decrease from the same period in the prior year. The decrease in the expenses was also attributable to the decrease in the use of contractors as well as decrease in the professional services travel expenses.

Research and development, net — Research and development expenses for the quarter ended March 31, 2017 decreased by \$267, or 13%, to \$1,848, from \$2,115 for the comparative period in 2016. For the quarter ended March 31, 2017, the average full time employee equivalent headcount devoted to research and development was 70 as compared to 68 for the comparative period in 2016. The decrease in the expense is as a result of a change in the mix of employees as well as the expenses for the quarter ended March 31, 2016 included certain one-time software and hosting charges, which was not the case in the quarter ended March 31, 2017.

Sales and marketing — Sales and marketing expenses for the quarter ended March 31, 2017 increased by \$205, or 18%, to \$1,339, from \$1,134 for the comparative period in 2016. For the quarter ended March 31, 2017, the average full time employee equivalent headcount devoted to sales and marketing was 19 as compared to 20 for the comparative period in 2016. The increase in the expenses is mainly due to variable sales compensation due to growth in revenue as well as an increase in international travel expenses.

General and administrative, net — General and administrative (“G&A”) expenses for the quarter ended March 31, 2017 increased by \$546, or 38%, to \$1,978, from \$1,432 for the comparative period in 2016. For the quarter ended March 31, 2017, the average full time employee equivalent headcount devoted to general and administrative was 22 same as in the comparative period in 2016. The increase was primarily due to a \$562 change in fair value of the deferred share units previously issued to the directors as Board compensation that was recorded in the quarter ended March 31, 2017.

Loss from discontinued operation

As previously discussed, the Healthcare business was spun-off effective January 25, 2016. The Company has presented the results of the Healthcare business as a discontinued operation in the condensed interim consolidated statements of comprehensive income (loss) for the comparative period from January 1, 2016 to January 24, 2016 to show the discontinued operation separately from the continuing operations.

Impairment of loan receivable

Pursuant to the Arrangement, the Company entered into an interim loan agreement with NexJ Health Inc. that provides that the Company will advance funds to NexJ Health Inc. as required from time to time up to a maximum of \$1,000; the loan bears annual interest at prime rate, as published by the Royal Bank of Canada. For the quarter ended March 31, 2016, Management evaluated the recoverability of the loan, including the financial position of NexJ Health Inc. and concluded that \$641, being the amount advanced as interim loan up to March 31, 2016, was fully impaired and recorded a provision in the condensed interim consolidated statements of comprehensive income (loss) for the quarter ended March 31, 2016. As of March 31 2017, the Company has an interim loan receivable balance of \$994 (December 31, 2016 - \$994), which was fully provided for in the consolidated financial statements as at and for the year ended December 31, 2016.

Share-based payment expense

For the quarter ended March 31, 2017, share-based payment expense decreased by \$255, or 73%, to \$95 from \$350 recognized in the comparative period of 2016. In December 2015, the Company modified its stock options plan to cancel and re-grant options to existing employees. Accordingly, the Company cancelled 682,146 stock options issued during the period from 2009 to 2012 ranging in price from \$3.50 per share to \$9.00 per share and re-granted 781,200 stock options at an exercise price of \$1.47 per share to be recognized over the two-year vesting period with the options vesting in 8 equal quarterly instalments. In addition, in the quarter ended March 31, 2016, certain stock options issued were accelerated and exercised to receive the common shares of the Company. These changes contributed to the increase in the expense for the quarter ended March 31, 2016 as well 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

For the quarter ended March 31, 2017, depreciation and amortization of property and equipment increased by \$20, or 9%, to \$232, from \$212 recognized in the comparative period in 2016. The increase is consistent with our growth in infrastructure to support the growth of our business.

Foreign exchange loss

For the quarter ended March 31, 2017, our foreign exchange loss was \$98 compared to a foreign exchange loss of \$873 for the comparative period in 2016.

The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar and the Australian dollar. The change in the foreign exchange impact during the quarter ended March 31, 2017 was the result of fluctuations in exchange rates between the Canadian dollar (our functional and reporting currency), the U.S. dollar and the Australian dollar as well as change in the U.S. dollar and Australian dollar denominated monetary assets held by the Company.

For the quarter ended March 31, 2017, the U.S. dollar weakened by approximately 1% against the Canadian dollar from C\$1.3427 to C\$1.3299 as compared to the U.S. dollar weakening by 6% against the Canadian dollar from C\$1.3840 to C\$1.2987 for the comparative period in 2016. This was partially offset by the strengthening of the

Canadian dollar by approximately 5% against the Australian dollar from C\$0.9707 to C\$1.0174 in the first quarter of 2017 as compared to weakening by approximately 1% from C\$1.0083 to C\$0.9957 for the comparative period in 2016.

As at March 31, 2017, U.S. dollar denominated net monetary assets were US\$14,293 as compared to US\$10,855 as at March 31, 2016. As at March 31, 2017, Australian dollar denominated net monetary assets were AU\$332 as compared to AU\$948 as at March 31, 2016. As at March 31, 2017, British pound-sterling denominated net monetary assets were £2, the same as in the comparative period in 2016.

Finance income

For the quarter ended March 31, 2017, finance income increased by \$1, or 6%, to \$19, from \$18 for the comparative period in 2016. We maintain excess cash in various bank accounts and in highly liquid instruments with low yield and low risk with short-term maturities.

Net income (loss)

We reported a net income of \$327, or \$0.02 per share (basic and diluted), for the quarter ended March 31, 2017 compared to net loss of \$2,028, or \$(0.10) per share (basic and diluted), for the same period in 2016. The increase in net income is largely due to the increase in revenue relative to expenses for the same period.

Adjusted EBITDA

Adjusted EBITDA for the quarter ended March 31, 2017 increased by \$451 to \$733, or \$0.04 per share (basic) and \$0.03 per share (diluted), compared to an Adjusted EBITDA of \$282, or \$0.01 per share (basic and diluted), in the comparative period in 2016. Adjusted EBITDA margin was 8% in the current quarter compared to 4% in the same period in 2016. As the revenues of the Company grow, we expect that the expenses as a percentage of revenues will decline over time which will favourably impact the Adjusted EBITDA 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:

	Quarter ended	
	March 31,	
	2017	2016
	(in thousands of dollars, except percentages)	
Total revenue	\$8,816	\$8,088
Net income (loss)	\$327	\$ (2,028)
Add back:		
Loss from discontinued operation	—	252
Impairment of loan receivable	—	641
Share-based payment expense	95	350
Depreciation and amortization	232	212
Foreign exchange loss	98	873
Finance income	(19)	(18)
Adjusted EBITDA	733	282
Adjusted EBITDA margin	8%	4%

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, 2017. 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.

	Quarter Ended							
	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015
	(In thousands of dollars, except share and per share figures) (Unaudited)							
Revenue*	\$8,816	\$9,576	\$8,857	\$7,000	\$8,088	\$7,891	\$7,285	\$7,186
Net income (loss) from continuing operations	327	1,950	1,125	(713)	(1,776)	288	(181)	(1,195)
Net income (loss) from discontinued operation...	—	—	—	—	(252)	(2,244)	(994)	(1,152)
Weighted average number of shares outstanding (000's):								
Basic	20,052	20,048	20,203	20,275	20,300	20,450	20,459	20,459
Diluted	21,270	20,761	20,393	20,275	20,300	20,450	20,459	20,459
Net income (loss) per share from continuing operations:								
Basic	\$ 0.02	\$ 0.10	\$ 0.06	\$ (0.04)	\$ (0.09)	\$ 0.01	\$ (0.01)	\$ (0.06)
Diluted	\$ 0.02	\$ 0.09	\$ 0.06	\$ (0.04)	\$ (0.09)	\$ 0.01	\$ (0.01)	\$ (0.06)
Net income (loss) per share from discontinued operation:								
Basic	—	—	—	—	\$ (0.01)	\$ (0.11)	\$ (0.05)	\$ (0.05)
Diluted	—	—	—	—	\$ (0.01)	\$ (0.11)	\$ (0.05)	\$ (0.05)

*Revenue in the above table excludes the revenue generated by the Healthcare business. The Healthcare business was spun off on January 25, 2016 and in the condensed interim consolidated statements of comprehensive loss for the comparative quarter ended March 31, 2016 the revenue for the Healthcare business has been classified as part of the loss from discontinued operation.

In periods where a net loss was incurred, stock options and common shares issued pursuant to the share 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 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 and Australian dollar has a direct impact on the Company's financial results as certain amount of our revenues are denominated in U.S. dollars and Australian dollars. As a result, in periods where the Canadian dollar strengthens against the U.S. dollar and the Australian dollar, the Company's revenues are negatively impacted.

Liquidity and Capital Resources

As of March 31, 2017, we held cash and cash equivalents of \$13,655. 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 and satisfy our obligations as they become due. Below is a summary of our cash flows from (used in) operating, financing, and investing activities for the periods indicated:

(in thousands of dollars)	Quarter ended March 31,	
	2017	2016
Net cash flows used in operating activities	\$ (890)	\$ (421)
Net cash flows used in discontinued operation	—	(270)
Net cash flows (used in) from financing activities	(6)	62
Net cash flows used in investing activities	(121)	(672)
Effect of exchange rate changes on cash and cash equivalents	(6)	(170)
Decrease in cash and cash equivalents	(1,023)	(1,471)
Beginning cash and cash equivalents	14,678	14,699
Ending cash and cash equivalents	13,655	13,228

Net cash flows used in operating activities

We used cash of \$890 in operating activities for the quarter ended March 31, 2017. Of the cash used, \$1,531 is attributable to movements in non-cash working capital with a significant change arising from an increase in accounts receivable, an increase in prepaid expenses and other assets, and deferred revenue offset by a decrease in accounts payable and accrued liabilities period over period. This is further offset by \$641 of cash generated from the remainder of the operating activities.

We used cash of \$421 in operating activities for the quarter ended March 31, 2016. Of the cash used, there was net movement of \$nil in non-cash working capital with a significant change arising from an increase in deferred revenue and a decrease in accounts receivable, offset by an increases in prepaid expenses and other assets and a decrease in accounts payable and accrued liabilities period over period and the remainder from operating activities.

Net cash flows used in discontinued operation operating activities

For the quarter ended March 31, 2016, we used additional cash of \$270 from operating activities of the Healthcare business prior to its spin off effective January 25, 2016. Of the cash used, \$48 is attributable to movements in non-cash working capital with a significant change arising from the increase in accounts receivable, offset by the increase in deferred revenue and decrease in prepaid expenses and other assets, and the remainder from operating activities.

Net cash flows (used in) from financing activities

For the quarter ended March 31, 2017, net cash flows used in financing activities was \$6. This consisted of proceeds from exercise of stock options of \$135 offset by the repurchase of common shares of \$104 and payment of finance lease for computer hardware of \$37.

In August, 2016, the Company applied to the Toronto Stock Exchange (“TSX”) to undertake a Normal Course Issuer Bid (“NCIB”), which was accepted by the TSX on August 20, 2016, for purchases of its Common Shares 14 through all available markets and/or alternative trading systems, including the facilities of the TSX. The maximum number of Common Shares which could be purchased until August 23, 2017 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 August 15, 2016. The actual number of Common Shares purchased and the timing of such purchases were determined by NexJ considering market conditions, stock prices, its cash position, and other factors. During the quarter ended March 31, 2017, the Company repurchased and cancelled 26,500 of its Common Shares through trades on the TSX for an aggregate purchase price of \$104, which was recorded as a reduction of share capital.

For the quarter ended March 31, 2016, net cash flows from financing activities was \$62. This consisted of proceeds from exercise of stock options of \$135 offset by the repurchase of common shares of \$48 and payment of finance lease for computer hardware of \$25.

The Company had an NCIB in place from August 24, 2015 to August 23, 2016, pursuant to which the Company could purchase its common shares aggregated to 1,000,000 common shares, representing approximately 4.7% of the number of common shares issued and outstanding as of August 12, 2015, through all available markets and/or alternative trading systems, including the facilities of the TSX. During the quarter ended March 31, 2016, the Company repurchased and cancelled 22,798 of its common shares through trades on the TSX for an aggregate purchase price of \$48, which was recorded as a reduction of share capital.

Net cash flows used in investing activities

For the quarter ended March 31, 2017, net cash used in investing activities was \$121, which consisted of interest received of \$19, offset by the purchase of property and equipment of \$140.

For the quarter ended March 31, 2016, net cash used in investing activities was \$672, which consisted of interest received of \$18, offset by the purchase of property and equipment of \$9 and the distribution of the discontinued operation to shareholders of \$40 and advances to NexJ Health Inc. of \$641.

Capital Management

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

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy, fund research and development to enhance existing product offerings as well as develop new ones, undertake selective acquisitions

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

We do not have any externally imposed capital requirements.

Contractual Obligations

Our contractual obligations include commitments made with respect to operating leases for office equipment, office premises and finance lease for computer equipment.

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

Pursuant to the Arrangement, the Company entered into an interim loan agreement that provides that the Company will advance funds to NexJ Health Inc. as required from time to time up to a maximum of \$1,000; the loan bears annual interest at prime rate, as published by the Royal Bank of Canada. The Company advanced \$641 as of March 31, 2016. Refer to the discussion under the heading "Impairment of loan receivable".

In addition, the Company also entered into a shared services agreement with NexJ Health Inc. under which the Company was to provide services and support functions relating to facilities, human resources, finance and IT services for a monthly fee agreed upon between the parties. For the three months ended March 31, 2016, the Company charged \$126 for these services. The amounts are due on demand and non-interest bearing. The terms of the agreements above and the related amounts being charged were agreed upon by the parties.

Commencing January 1, 2017, as agreed to between the parties, the Company will charge for facilities and any third party costs incurred on behalf of NexJ Health Inc., and accordingly, the Company charged \$111 for the three months ended March 31, 2017, which was recorded under prepaid expenses and other assets in the condensed interim consolidated statement of financial position as at March 31, 2017. This amount was paid by NexJ Health Inc. subsequent to the period ended March 31, 2017.

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, the U.S. dollar and the Australian dollar. We transact business in multiple currencies, the most significant of which are the U.S. dollar and the Australian 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 \$1,935 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
Quarter ended March 31, 2017	4	85%
Quarter ended March 31, 2016	4	79%

	Accounts receivable	
	Number of customers	% of total
As at March 31, 2017	2	88%
As at December 31, 2016	3	96%

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.

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 existing cash and cash equivalents will provide sufficient funding to meet all working capital, contractual commitments and financing needs for at least the next 12 months.

Interest Rate Risk

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

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, 2016 and 2015 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 quarter ended March 31, 2017 from the annual audited consolidated financial statements for the years ended December 31, 2016 and 2015.

Recent Accounting Pronouncements

A number of new standards and amendments to standards and interpretations are not yet effective for the quarter ended March 31, 2017, and have not been applied in preparing the unaudited condensed interim consolidated financial statements. In particular, the following relevant new standards that have been issued but are not yet effective:

IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement, on the classification and measurement of financial assets and financial liabilities. Financial assets will be classified into one of two categories on initial recognition: amortized cost or fair value. For financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the change recognized in statements of comprehensive loss. The standard is effective for annual periods beginning on or after January 1, 2018 with retroactive application and at this time, no significant impact is expected on the Company's results.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 replaces IAS 11, Construction contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers and SIC 31, Revenue-Barter Transactions Involving Advertising Services; and introduces a single model of recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. Management is in the process of identifying differences between existing policies and IFRS 15 and will communicate the upcoming changes and status updates to the Audit Committee as well as indications, decisions and conclusions to be made with respect to the implementation of IFRS 15. As a result, we are continuing to assess the impact of this standard on our consolidated financial statements.

IFRS 16, Leases ("IFRS 16"):

IFRS 16 replaces IAS 17, Leases; and introduces new rules for accounting for leases which will result in substantially all lessee leases being recorded on the statement of financial position. The standard is effective for annual periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted, but only if the entity is also applying IFRS 15.

The Company is assessing the impact of this standard on its consolidated financial statements and expects that on adoption of the standard there will be an increase to assets and liabilities, as we will be required to record a right-of-use asset and a corresponding lease liability on our consolidated statements of financial position. In addition, we expect a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).

Outstanding Share Data

As of April 27, 2017, 21,083,724 Common Shares were issued and outstanding. In addition, as of March 31, 2017, there were 1,806,374 stock options outstanding with exercise prices ranging from \$1.23 to \$4.50 per share.

As at March 31, 2017, there were 391,691 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, 2017, 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, 2017, 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 using the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework (2013).

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 quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company’s ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that its objectives are met. Due to inherent limitations in all systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute assurance that the objectives of our control systems have been met.

About NexJ Systems Inc.

NexJ provides enterprise customer management solutions to the financial services industry.

Our solutions include industry-specific customer relationship management to enable collaboration across countries, regions and teams; customer process management to streamline workflows such as client onboarding; and customer data management to support digital transformation and customer analytics across the enterprise. Our solutions integrate information from multiple systems into a unified view to help firms better understand and share information about their customers to increase loyalty, drive cross-sell and improve the customer experience.

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 (dial 1-888-231-8191) and webcast beginning at 5:00 p.m. ET today, April 27, 2017. A replay of the call will be available beginning April 27, 2017 at 8:00 p.m. ET through 11:59 p.m. ET on May 4, 2017 and can be accessed by dialing 1-855-859-2056 and using password 7185891.

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