



KINAXIS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

DATED: May 4, 2016

Unless the context requires otherwise, all references in this management's discussion and analysis (the "MD&A") to "Kinaxis", "we", "us", "our" and the "Company" refer to Kinaxis Inc. and its subsidiaries as constituted on March 31, 2016. This MD&A has been prepared with an effective date of May 4, 2016.

This MD&A for the three month periods ended March 31, 2016 and 2015 should be read in conjunction with our condensed consolidated interim financial statements and the related notes thereto for the three months ended March 31, 2016 and 2015 and our annual consolidated financial statements as at and for the year ended December 31, 2015. The financial information presented in this MD&A is derived from our interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements".

This MD&A includes trade-marks, such as "Kinaxis", and "RapidResponse", which are protected under applicable intellectual property laws and are the property of Kinaxis. Solely for convenience, our trade-marks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trade-marks and trade names. All other trade-marks used in this MD&A are the property of their respective owners.

All references to \$ or dollar amounts in this MD&A are to U.S. currency unless otherwise indicated.

Additional information relating to Kinaxis Inc. including the Company's most recently completed Annual Information Form, can be found on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures such as "Adjusted profit", "Adjusted EBITDA" and "Adjusted diluted earnings per share". These non-IFRS measures are not recognized, defined or standardized measures under IFRS. Our definition of Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share will likely differ from that used by other companies and therefore comparability may be limited.

Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with our condensed consolidated interim financial statements and the related notes thereto for the three months ended March 31, 2016 and 2015 and our annual consolidated financial statements as at and for the year ended December 31, 2015. Readers should not put undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures. See the reconciliations to these IFRS measures in the "Reconciliation of Non-IFRS Measures" section of this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking statements that relate to our 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. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding our revenue, expenses and operations;
- our anticipated cash needs;
- our ability to protect, maintain and enforce our intellectual property rights;
- third-party claims of infringement or violation of, or other conflicts with, intellectual property rights by us;

- our plans for and timing of expansion of our solutions and services;
- our future growth plans;
- the acceptance by our customers and the marketplace of new technologies and solutions;
- our ability to attract new customers and develop and maintain existing customers;
- our ability to attract and retain personnel;
- our expectations with respect to advancement in our technologies;
- our competitive position and our expectations regarding competition;
- regulatory developments and the regulatory environments in which we operate; and
- anticipated trends and challenges in our business and the markets in which we operate.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate, including, but not limited to, assumptions in connection with the growth in our target market, an expected increase in our subscription revenue and decrease in maintenance & support revenue based on customer behaviour, an expected increase in both our sales and marketing expenses and general and administrative expenses based on our business plans, and our ability to realize on the benefits of tax credits in the near term. Although we believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including those set forth below under the heading "Risks and Uncertainties". These risks and uncertainties could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements. In light of these risks and uncertainties, readers should not place undue reliance on 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 and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Readers should read this MD&A with the understanding that our actual future results may be materially different from what we expect.

Risks and Uncertainties

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- If we are unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be affected.
- We derive a significant portion of our revenue from a relatively small number of customers, and our growth depends on our ability to retain existing customers and add new customers.
- We encounter long sales cycles, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue.
- We rely significantly on recurring revenue, and if recurring revenue declines or is not renewed our future results of operations could be harmed.
- Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern.

- Our quarterly results of operations may fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.
- We are subject to risks associated with fluctuations in currency exchange rates.
- If we are unable to develop new products and services, sell our solutions into new markets or further penetrate our existing markets, our revenue will not grow as expected.
- If we do not maintain the compatibility of our solutions with third-party applications that our customers use in their business processes, demand for our solutions could decline.
- If we fail to adapt to rapid technological change our ability to remain competitive could be impaired.
- We enter into service level agreements with all of our customers. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our revenues.
- Downturns in general economic and market conditions and reductions in IT spending may reduce demand for our solutions, which could negatively affect our revenue, results of operations and cash flows.
- Our ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.
- If we fail to protect our intellectual property and proprietary rights adequately, our business could be adversely affected.
- Our solutions are complex and customers may experience difficulty in implementing or upgrading our products successfully or otherwise achieving the benefits attributable to our products.
- The markets in which we participate are highly competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.
- If we fail to retain our key employees, our business would be harmed and we might not be able to implement our business plan successfully.
- Our growth is dependent upon the continued development of our direct sales force.
- If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.
- Interruptions or delays in the services provided by third-party data centers and/or internet service providers could impair the delivery of our solutions and our business could suffer.
- We may experience service failures or interruptions due to defects in the software, infrastructure, third-party components or processes that comprise our existing or new solutions, any of which could adversely affect our business.
- An assertion by a third-party that we are infringing its intellectual property could subject us to costly and time consuming litigation or expensive licenses which could harm our business.
- Mergers or other strategic transactions involving our competitors or customers could weaken our competitive position, which could harm our results of operations.
- We are subject to taxation in various jurisdictions and the taxing authorities may disagree with our tax positions.
- Because our long-term success depends, in part, on our ability to continue to expand the sales of our solutions to customers located outside of North America, our business will be susceptible to risks associated with international operations.

A comprehensive discussion of risks, including risks not specifically listed above, can be found in our 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 our 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.

Overview

We are a leading provider of cloud-based subscription software that enables our customers to improve and accelerate analysis and decision-making across their supply chain operations. Our RapidResponse product provides supply chain planning and analytics capabilities that create the foundation for managing multiple, interconnected supply chain management processes, including demand planning, supply planning, inventory management, order fulfillment and capacity planning. Our professional services team supports deployment of RapidResponse in new customers and assists existing customers in fully leveraging the benefits of the product.

Our target market is large enterprises that have significant unresolved supply chain challenges. We believe this market is growing as a result of a number of factors, including increased complexity and globalization of supply chains, outsourcing, a diversity of data sources and systems, and competitive pressures on our customers.

We have established a consistent financial track record of strong revenue growth, solid earnings performance and cash generation. Both our subscription and total annual revenues have grown at a compound annual growth rate (CAGR) of 25% for the three years ended December 31, 2015. This growth is driven both by contracts with new customers and expansion of our solution and service engagements within our existing customer base. For the three months ended March 31, 2016 our Adjusted EBITDA was 30% of revenue and ending cash balances grew to \$108.3 million.

Our customers are generally large national or multinational enterprises with complex supply chain requirements. We target multiple industry verticals including high technology and electronics manufacturing, aerospace and defense, industrial products, life sciences and pharmaceuticals, consumer packaged goods, financial services and the automotive sector.

We sell our product using a subscription-based model. Our agreements with customers are typically two to five years in length. Our subscription fee generally depends on the size of our customer, the number of applications deployed, the number of users and the number of manufacturing, distribution and inventory sites our product is required to model. Average annual contract value fluctuates from period to period depending on the size of new customers and the extent to which we are successful in expanding adoption of our products by existing customers.

For the three months ended March 31, 2016, our ten largest customers accounted for approximately 47% of our total revenues with one customer accounting for 14.3% of total revenues.

Increasing revenues through new customer wins is one of our highest organizational priorities. Our sales cycle can be lengthy, as we generally target very large organizations with significant internal processes for adoption of new systems. We currently pursue a revenue growth model that includes both direct sales through our internal sales force, as well as indirect sales through channels including resellers and other partners.

Due to the growth in the market and increasing need for solutions, competition in the industry from new entrants and larger incumbent vendors will increase. In addition to this increased competitive pressure, changes in the global economy may have an impact on the timing and ability of these enterprises to make buying decisions which may have an impact on our performance.

Since our initial public offering in June 2014, we continue to drive growth in our business through new customer acquisition and expansion of existing customers through our land and expand philosophy. Over the last several years, approximately 40% of subscription revenue growth has been derived from our existing customer base. Our net revenue retention is greater than 100%, reflecting our longer term contract structure and renewal history. We continue to invest in developing our partner capabilities and in our technology. In August 2015, we released version 2015.3 of RapidResponse, reflecting our ongoing investment in our product's scale and capabilities, and our commitment to supporting the needs of our expanding customer base. In October 2015, we announced an engagement with Accenture where Accenture will provide product development and product training services and together we will develop differentiated supply chain solutions designed to meet enterprise end-customer supply chain solutions.

We are headquartered in Ottawa, Ontario. We have subsidiaries located in the United States, the Netherlands and Hong Kong and a subsidiary and office in Tokyo, Japan. We continue to expand our operations internationally. In the year ended December 31, 2015, 92% of our revenues derived from North America and our remaining revenues derived from outside North America, principally from Japan and Europe.

Key Performance Indicators

The key performance indicators that we use to manage our business and evaluate our financial results and operating performance are: total revenue, total new customers, incremental subscription revenue and bookings, net revenue retention, secured subscription backlog, operating expenses, Adjusted profit (as discussed below), Adjusted EBITDA (as discussed below), Adjusted diluted earnings per share (as discussed below), and cash flow from operations. Some of these measures are non-IFRS measures. See “Non-IFRS Measures” above. Management reconciles non-IFRS measures to IFRS measures where a comparable IFRS measure exists. See “Reconciliation of Non-IFRS Measures” below. We evaluate our performance by comparing our actual results to budgets, forecasts and prior period results.

Net revenue retention

Our subscription customers generally enter into two to five year agreements, paid annually in advance, for use of our solution. In certain circumstances, customers will prepay subscription fees for the term of the agreement for various reasons. Subscription agreements are generally subject to price increases upon renewal reflecting both inflationary increases and the additional value provided by our solutions. In addition to the expected increase in subscription revenue from price increases over time, existing customers may subscribe for additional applications, users or sites during the terms of their agreements.

Our subscription model results in a high proportion of recurring revenue, which we define as subscription revenue plus maintenance & support revenue (see “Significant Factors Affecting Results of Operations – Revenue”). The power of the subscription model is only fully realized when a vendor has high retention rates. High customer retention rates generate a long customer lifetime and a very high lifetime value of the customer. Our net revenue retention rates are over 100%, which includes sales of additional applications, users and sites to existing customers.

The recurring nature of our revenue provides high visibility into future performance, and upfront payments result in cash flow generation in advance of revenue recognition. Typically, approximately 80% of our annual subscription revenue is recognized from customers that are in place at the beginning of the year (excluding the effect of renewals) and this continues to be our target model going forward. However, this also means that agreements with new customers or agreements with existing customers purchasing additional applications, users or sites in a quarter may not contribute significantly to revenue in the current quarter. For example, a new customer who enters into an agreement on the last day of a quarter will typically have no impact on the revenue recognized in that quarter.

Significant Factors Affecting Results of Operations

Our results of operations are influenced by a variety of factors, including:

Revenue

Our revenue consists of subscription fees, professional service fees and maintenance and support fees. Subscription revenue is comprised of fixed term fees for licensed on-premise use of RapidResponse or fees for provision as software as a service (“SaaS”) in a hosted/cloud environment.

Subscription revenue includes maintenance and support for the solution for the term of the contract as well as hosting services when provided under a SaaS arrangement.

Professional services revenue is comprised of fees charged to assist organizations to implement and integrate our solution and train their staff to use and deploy our solution. Professional service engagements are contracted on a time and materials basis including billable travel expenses and are billed and recognized as revenue as the service is delivered. In certain circumstances, the Company enters into arrangements for professional services on a fixed price basis for which revenue is recognized by reference to the stage of completion of the contract.

Maintenance & support revenue relates to fees for maintenance and support for certain legacy customers who licensed our software on a perpetual basis prior to our conversion to a SaaS model in 2005. Over time, this revenue stream is expected to decline as more customers eventually convert to our more comprehensive, subscription based service or customers choose to let their support contracts lapse.

Cost of revenue

Cost of revenue consists of personnel, travel and other overhead costs related to implementation teams supporting initial deployments, training services and subsequent stand-alone engagements for additional services. Cost of revenue also includes personnel and overhead costs associated with our customer support team, the cost of our data centre facilities where we physically host our on-demand solution and network connectivity costs for the provisioning of hosting services under SaaS arrangements.

Sales and marketing expenses

Sales and marketing expenses consist primarily of personnel and related costs for our sales and marketing teams, including salaries and benefits, commissions earned by sales personnel and trade show and promotional marketing costs.

We plan to continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness and sponsoring additional marketing events. We expect that in the future, sales and marketing expenses will continue to increase.

Research and development expenses

Research and development expenses consist primarily of personnel and related costs for the teams responsible for the ongoing research, development and product management of RapidResponse. These expenses are recorded net of any applicable scientific research and experimental development investment tax credits ("**investment tax credits**") earned for expenses incurred in Canada against eligible projects. We only record non-refundable tax credits to the extent there is reasonable assurance we will be able to use the investment tax credits to reduce current or future tax liabilities. As the Company has an established history of profits, we do expect to realize the benefit of these tax credits in the near term. Further, we anticipate that spending on R&D will also be higher in absolute dollars as we expand our research and development and product management teams.

General and administrative expenses

General and administrative expenses consist primarily of personnel and related costs associated with administrative functions of the business including finance, human resources and internal IT support, as well as legal, accounting and other professional fees. We expect that, in the future, general and administrative expenses will increase in absolute dollars as we invest in our infrastructure and we incur additional employee-related costs and professional fees related to the growth of our business and international expansion.

Foreign exchange

Our presentation and functional currency with the exception of our subsidiaries in Japan (Japanese Yen) and the Netherlands (Euro) is U.S. dollars. We derive most of our revenue in U.S. dollars. Our head office and a significant portion of our employees are located in Ottawa, Canada, and as such a significant amount of our expenses are incurred in Canadian dollars.

Results of Operations

The following table sets forth a summary of our results of operations for the three months ended March 31, 2016 and 2015:

	Three months ended	
	March 31, 2016	March 31, 2015
	(In thousands of U.S. dollars, except earnings per share)	
Statement of Operations		
Revenue	\$ 27,032	\$ 19,711
Cost of revenue	8,105	5,805
Gross profit	18,927	13,906
Operating expenses	13,721	9,658
	5,206	4,248
Foreign exchange gain (loss)	266	(479)
Net finance income	74	24
Profit before income taxes	5,546	3,793
Income tax expense	2,177	1,405
Profit	\$ 3,369	\$ 2,388
Adjusted profit ⁽¹⁾	\$ 5,649	\$ 3,352
Adjusted EBITDA ⁽¹⁾	\$ 8,006	\$ 5,566
Basic earnings per share.....	\$ 0.14	\$ 0.10
Diluted earnings per share.....	\$ 0.13	\$ 0.10
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.22	\$ 0.13

	As at	
	March 31, 2016	December 31, 2015
	(In thousands of U.S. dollars)	
Total assets	\$ 135,278	\$ 128,096
Deferred revenue	57,087	54,633
Other non-current liabilities	629	1,065

Note:

- (1) Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share are non-IFRS measures. See "Non-IFRS Measures". For a reconciliation of these measures to the closest IFRS measure, where a comparable IFRS measure exists, see "Reconciliation of Non-IFRS Measures" below.

Reconciliation of Non-IFRS Measures

Adjusted profit and Adjusted diluted earnings per share

Adjusted profit represents profit adjusted to exclude the impact of our formerly outstanding redeemable preferred shares and our equity compensation plans. Adjusted diluted earnings per share represents diluted earnings per share using Adjusted profit. We use Adjusted profit and Adjusted diluted earnings per share to measure our performance as these measures align our results and improve comparability against our peers.

Adjusted EBITDA

Adjusted EBITDA represents profit adjusted to exclude the impact of our formerly outstanding redeemable preferred shares, our equity compensation plans, income tax expense, depreciation, foreign exchange loss (gain) and net financing (income) expense. We use Adjusted EBITDA to provide readers with a supplemental measure of our

operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements.

We have reconciled Adjusted profit and Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	Three months ended	
	March 31,	
	2016	2015
	(In thousands of U.S. dollars)	
Statement of Operations		
Profit.....	\$ 3,369	\$ 2,388
Share-based compensation	2,280	964
Adjusted profit.....	<u>\$ 5,649</u>	<u>\$ 3,352</u>
Income tax expense	2,177	1,405
Depreciation	520	354
Foreign exchange (gain) loss	(266)	479
Net finance income.....	<u>(74)</u>	<u>(24)</u>
	<u>2,357</u>	<u>2,214</u>
Adjusted EBITDA.....	<u>\$ 8,006</u>	<u>\$ 5,566</u>

Revenue

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended		2015 to
	March 31,		2016
	2016	2015	%
	(In thousands of U.S. dollars, except percentages)		
Revenue			
Subscription.....	\$ 18,490	\$ 15,408	20%
Professional services	8,304	4,018	107%
Maintenance & support	238	285	(16%)
Total revenue	<u>27,032</u>	<u>19,711</u>	<u>37%</u>

Total revenue for the first quarter of 2016 was \$27.0 million or an increase of 37% compared to the same period in 2015.

Subscription Revenue

Subscription revenue for the three months ending March 31, 2016 was \$18.5 million or 20% higher than the same period in 2015. The increase was driven by contracts secured with new customers in the last twelve months, as well as expansion of existing customer subscriptions.

Professional services revenue

Professional services revenue varies quarter to quarter due to the size, timing and scheduling of customer engagements. Professional services revenue for the first quarter of 2016 was \$8.3 million up, from \$4.0 million in the same period in 2015, for an increase of 107% or \$4.3 million. Professional services revenue growth was driven primarily by deployment projects for new customers acquired in fiscal 2015 and 2016 as well as supporting the expansion of existing customer configurations.

Maintenance & support revenue

Maintenance & support revenue was \$0.2 million for the first quarter of 2016, down from \$0.3 million for the same period in 2015. We expect to see a decrease over time in support revenue from contracts with legacy customers with perpetual licenses.

Cost of Revenue

	Three months ended		2015 to
	March 31,		2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages)			
Cost of revenue.....	\$ 8,105	\$ 5,805	40%
Gross profit.....	18,927	13,906	36%
Gross profit %.....	70%	71%	

Cost of revenue for the first quarter of 2016 increased \$2.3 million, or 40%, to \$8.1 million from \$5.8 million for the same period in 2015. The increase in costs was due to an increase in headcount related compensation costs for customer support and data centre operations which was driven by our customer growth as well as higher variable compensation and share-based payments during the period. The increase in compensation costs is net of a favourable impact of foreign exchange rates on Canadian dollar denominated compensation costs. An increase in professional services activities also drove an increase in costs associated with the use of third party providers to support these engagements as well as an increase in travel costs and billable expenses compared to the same periods in 2015. Higher depreciation and operating costs associated with the expansion of data centre capacity to support new and ongoing customer engagements were also incurred for the first quarter of 2016 compared to the same period in 2015.

Gross profit for the three months ended March 31, 2016 was \$18.9 million compared to \$13.9 million for the same period in 2015. Gross profit as a percentage of revenue decreased to 70% in the first quarter ended March 31, 2016 from 71% in the first quarter ended March 31, 2015. The percentage decrease in the first quarter of 2016 was due to the higher growth in cost of revenue in the first quarter of 2016 from investments in additional headcount and the use of third party providers than the growth in revenue in the period compared to the first quarter of 2015.

Selling and Marketing Expenses

	Three months ended		2015 to
	March 31,		2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages)			
Selling and marketing.....	\$ 5,979	\$ 3,799	57%
As a percentage of revenue.....	22%	19%	

Selling and marketing expenses for the first quarter of 2016 increased \$2.2 million, or 57%, to \$6.0 million from \$3.8 million in the first quarter of 2015. The increase in sales and marketing costs was due to investments in the joint initiative with Accenture announced in the third quarter of 2015 and higher headcount and related compensation and travel costs driven by our investment in our knowledge services and customer success organizations. An increase in commission expenses and share based compensation was also incurred in the first quarter of 2016 compared to the same period in 2015. As a percentage of revenue, selling and marketing expenses increased 3% to 22% in the first quarter of 2016 reflecting the higher growth in costs in the period.

Research and Development Expenses

	Three months ended		2015 to
	March 31,		2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages)			
Research and development - gross	\$ 5,076	\$ 4,010	27%
Less: Investment tax credits.....	(339)	(339)	-
Research and development	4,737	3,671	29%
As a percentage of revenue			
Gross.....	19%	20%	
Net	18%	19%	

Gross research and development expenses for the first quarter of 2016 increased \$1.1 million to \$5.1 million or 27% compared to \$4.0 million for the first quarter of 2015. The increase in research and development expenses was due to an increase in headcount and related compensation costs net of a favourable impact of foreign exchange rates on Canadian dollar denominated compensation costs. The investment in headcount was made to support ongoing programs to develop the RapidResponse product and solution offering for new and existing customers. Investment tax credits earned on research and development activity in Canada was \$0.3 million for both the first quarter of 2016 and 2015. Additional tax credits earned on the increase in research and development activity were offset by a reduction in the tax credit rate and the impact of foreign exchange rates on tax credits which are denominated in Canadian dollars. As a percentage of revenues, gross research and development expenses were 19% for the first quarter of 2016 compared to 20% for the same period in 2015, reflecting lower growth in revenue in the current period. Net research and development as a percentage of revenue for the first quarter of 2016 was 18% for the first quarter of 2016 compared to 19% for the same period in 2015. This was due to higher product development expenses compared to the same period in the previous year.

General and Administrative Expenses

	Three months ended		2015 to
	March 31,		2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages)			
General and administrative	\$ 3,005	\$ 2,188	37%
As a percentage of revenue	11%	11%	

For the first quarter of 2016, general and administrative expenses increased \$0.8 million, or 37%, to \$3.0 million from \$2.2 million for the same period in 2015. The increase in general and administrative expenses was primarily due to an increase in share-based payments. This increase was offset by the favourable impact of foreign exchange rates on Canadian dollar denominated compensation costs and lower accounting, audit and legal fees. As a percentage of revenue, general and administrative expenses were 11% for both the first quarter of 2016 and 2015.

Other Income and Expense

The following table provides a breakdown of other income and expense by type:

	Three months ended March 31,		2015 to 2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages)			
Other income (expense)			
Foreign exchange gain (loss).....	266	(479)	_(1)
Net finance income	74	24	208%
Total other income (expense).....	340	(455)	_(1)

Note:

(1) The percentage change has been excluded as it is not meaningful.

For the three months ended March 31, 2016, total other income was \$0.3 million compared to a loss of \$0.5 million for the first quarter of 2015. The increase is due to foreign exchange gains which were primarily due to the revaluation of Canadian dollar denominated assets against a weakening U.S. dollar and an increase in interest income due to the increased cash position.

Income Taxes

	Three months ended March 31,		2015 to 2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages)			
Income tax expense.....	\$ 2,177	\$ 1,405	55%

For the three months ended March 31, 2016, income tax expense was \$2.2 million compared to \$1.4 million for the same periods in 2015. The increase in income tax expense for the first quarter of 2016 compared to the first quarter of 2015 is due to a higher profit before income taxes in the first quarter of 2016.

Profit

	Three months ended March 31,		2015 to 2016
	2016	2015	%
(In thousands of U.S. dollars, except percentages and per share amount)			
Profit	\$ 3,369	\$ 2,388	41 %
Adjusted profit ⁽¹⁾	5,649	3,352	69 %
Adjusted EBITDA ⁽¹⁾	8,006	5,566	44%
Basic earnings per share	0.14	0.10	
Diluted earnings per share	0.13	0.10	
Adjusted diluted earnings per share ⁽¹⁾	0.22	0.13	

Note:

(1) Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share are non-IFRS measures. See "Non-IFRS Measures". For a reconciliation of these measures to the closest IFRS measure, where a comparable IFRS measure exists, see "Reconciliation of Non-IFRS Measures" above.

Profit for the three months ended March 31, 2016 increased \$1.0 million to \$3.4 million or \$0.14 per basic share and \$0.13 per diluted share, from \$2.4 million or \$0.10 per basic and diluted share for the same period in 2015. The increase in profit was driven primarily by our growth in revenue for the first quarter and the lower Canadian dollar versus the U.S. dollar which had a positive effect on operating expenses and profitability. Adjusted EBITDA for the first quarter of 2016 was \$8.0 million, an increase of \$2.4 million from \$5.6 million for the corresponding period in 2015. The increase in Adjusted EBITDA for the three months ended March 31, 2016 was driven primarily by an increase in operating profits.

Key Balance Sheet Items

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(In thousands of U.S. dollars)	
Total assets	\$ 135,278	\$ 128,096
Total liabilities	63,591	62,492

An analysis of the key balance sheet items driving the change in total assets and liabilities is as follows:

Trade and other receivables

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(In thousands of U.S. dollars)	
Trade and other receivables.....	\$ 13,953	\$ 15,833

Trade and other receivables were \$14.0 million at March 31, 2016, a decrease of \$1.8 million compared to \$15.8 million at December 31, 2015. The change in trade and other receivables was due to timing of billings and collections on receivables which can have a significant impact on the balance at any point in time due to the annual subscription billing cycle. The aging of trade receivables is generally current and we have no history of bad debts.

Investment tax credits

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(In thousands of U.S. dollars)	
Investment tax credits receivable	\$ 1,642	\$ 1,532
Investment tax credits recoverable	1,661	2,083

Investment tax credits receivable of \$1.6 million at March 31, 2016 were \$0.1 million higher compared to \$1.5 million at December 31, 2015. The increase is due to foreign exchange gains on the refundable investment tax credits denominated in Canadian dollars revalued against a weakening U.S. dollar. The investment tax credits receivable relate to refundable tax credits filed for the 2013 tax year and the 2014 tax period prior to our initial public offering that remains outstanding. Investment tax credits recoverable are the non-refundable portion of investment tax credits earned. The balance decreased \$0.4 million to \$1.7 million at March 31, 2016 from \$2.1 million at December 31, 2015 due to utilization of investment tax credits against current income taxes payable. This decrease was partially offset by estimated non-refundable credits earned during the first quarter of 2016 and foreign exchange gains incurred upon revaluation of the recoverable balance denominated in Canadian dollars against a weaker U.S. dollar.

Deferred revenue

	<u>As at March 31, 2016</u>	<u>As at December 31, 2015</u>
	(In thousands of U.S. dollars)	
Current	\$ 43,852	\$ 40,442
Non-current	13,235	14,191
	<u>57,087</u>	<u>54,633</u>

Deferred revenue at March 31, 2016 was \$57.1 million, an increase of \$2.5 million compared to \$54.6 million at December 31, 2015. We generally bill our customers annually in advance for subscriptions resulting in the amount billed initially recorded as deferred revenue and drawn down to revenue over the term. The increase in deferred revenue reflects the increase in subscription revenue from the addition of new customer contracts and expansion of existing customers and the timing of annual billings. Deferred revenue relating to subscription term periods beyond one year totaled \$13.2 million at March 31, 2016.

Summary of Quarterly Results

The following table summarizes selected results for the eight most recent completed quarters to March 31, 2016.

	March 31, 2016	December 31, 2015	September 30, 2015	Three months ended		December 31, 2014	September 30, 2014	June 30, 2014
				June 30, 2015	March 31, 2015			
Revenue:								
Subscription.....	\$ 18,490	\$ 16,963	\$ 16,544	\$ 16,284	\$ 15,408	\$ 13,852	\$ 13,302	\$ 12,645
Professional services.....	8,304	6,977	6,870	7,137	4,018	4,694	4,081	4,979
Maintenance & support	238	251	251	283	285	274	298	306
	<u>27,032</u>	<u>24,191</u>	<u>23,665</u>	<u>23,704</u>	<u>19,711</u>	<u>18,820</u>	<u>17,681</u>	<u>17,930</u>
Cost of revenue	8,105	6,789	6,862	6,287	5,805	5,433	4,855	5,628
Gross profit	<u>18,927</u>	<u>17,402</u>	<u>16,803</u>	<u>17,417</u>	<u>13,906</u>	<u>13,387</u>	<u>12,826</u>	<u>12,302</u>
Operating expenses	13,721	11,984	10,402	9,677	9,658	10,763	8,697	9,934
	<u>5,206</u>	<u>5,418</u>	<u>6,401</u>	<u>7,740</u>	<u>4,248</u>	<u>2,624</u>	<u>4,129</u>	<u>2,368</u>
Loss due to change in fair value of redeemable preferred shares.....	-	-	-	-	-	-	-	(6,581)
Foreign exchange gain (loss).....	266	(18)	(497)	(47)	(479)	(465)	(262)	81
Net finance income (expense).....	74	32	30	42	24	17	3	(253)
Profit (loss) before income taxes.....	<u>5,546</u>	<u>5,432</u>	<u>5,934</u>	<u>7,735</u>	<u>3,793</u>	<u>2,176</u>	<u>3,870</u>	<u>(4,385)</u>
Income tax expense.....	2,177	4,146	2,128	2,537	1,405	1,592	1,358	889
Profit (loss)	<u>\$ 3,369</u>	<u>\$ 1,286</u>	<u>\$ 3,806</u>	<u>\$ 5,198</u>	<u>\$ 2,388</u>	<u>\$ 584</u>	<u>\$ 2,512</u>	<u>\$ (5,274)</u>
Loss due to change in fair value of redeemable preferred shares.....	-	-	-	-	-	-	-	6,581
Share-based compensation	2,280	1,229	1,176	1,083	964	845	794	631
	<u>2,280</u>	<u>1,229</u>	<u>1,176</u>	<u>1,083</u>	<u>964</u>	<u>845</u>	<u>794</u>	<u>7,212</u>
Adjusted profit ⁽¹⁾	<u>\$ 5,649</u>	<u>\$ 2,515</u>	<u>\$ 4,982</u>	<u>\$ 6,281</u>	<u>\$ 3,352</u>	<u>\$ 1,429</u>	<u>\$ 3,306</u>	<u>\$ 1,938</u>
Income tax expense.....	2,177	4,146	2,128	2,537	1,405	1,592	1,358	889
Depreciation.....	520	499	461	412	354	334	317	260
Foreign exchange (gain) loss.....	(266)	18	497	47	479	465	262	(81)
Net finance (income) expense	(74)	(32)	(30)	(42)	(24)	(17)	(3)	253
	<u>2,357</u>	<u>4,631</u>	<u>3,056</u>	<u>2,954</u>	<u>2,214</u>	<u>2,374</u>	<u>1,934</u>	<u>1,321</u>
Adjusted EBITDA ⁽¹⁾	<u>\$ 8,006</u>	<u>\$ 7,146</u>	<u>\$ 8,038</u>	<u>\$ 9,235</u>	<u>\$ 5,566</u>	<u>\$ 3,803</u>	<u>\$ 5,240</u>	<u>\$ 3,259</u>
Basic earnings (loss) per share	\$ 0.14	\$ 0.05	\$ 0.16	\$ 0.22	\$ 0.10	\$ 0.02	\$ 0.11	\$ (0.34)
Diluted earnings (loss) per share.....	\$ 0.13	\$ 0.05	\$ 0.15	\$ 0.20	\$ 0.10	\$ 0.02	\$ 0.10	\$ (0.34)
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.22	\$ 0.10	\$ 0.20	\$ 0.25	\$ 0.13	\$ 0.06	\$ 0.13	\$ 0.09

Note:

- (1) Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share are non-IFRS measures. See "Non-IFRS Measures". For a reconciliation of these measures to the closest IFRS measure, where a comparable IFRS measure exists, see "Reconciliation of Non-IFRS Measures" above.

Subscription revenue has increased steadily over the last eight quarters due to acquisition of new customers and expansion of existing customers. Professional services revenue varies quarter to quarter due to the size, timing and scheduling of customer engagements. Maintenance & support revenue has declined over the quarters due to support contracts with legacy customers with perpetual licenses that have lapsed and the migration of customers to a

subscription model. Cost of revenue has increased as we continue to invest in the capacity to support the growth in our business with gross margin ranging from 69% to 73% of revenue. Operating expenses have increased as we invest in sales and marketing and product development. In addition to increased investment, our quarterly operating expenses are impacted by timing of sales commissions and marketing events. We also experienced an increase in general and administrative expenses to support our initial public offering in the second quarter of 2014 and to support ongoing compliance and governance requirements. As a significant component of our operating expenses are denominated in Canadian dollars, fluctuations in the foreign exchange rate with the U.S. dollar have had a positive impact on operating expenses and quarterly profit since fiscal 2015. Our 2014 quarterly profit was impacted significantly by the non-cash fair value adjustment on the redeemable preferred shares prior to our initial public offering. Upon completion of the initial public offering in June 2014, we converted the redeemable preferred shares into common shares and profit will no longer be impacted by this expense.

Liquidity and Capital Resources

Our primary source of cash flow is sales of subscriptions for our software and sales of services. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they come due. We do so by continuously monitoring cash flow and actual operating expenses compared to budget.

	<u>As at March 31,</u> <u>2016</u>	<u>As at December</u> <u>31, 2015</u>
	(In thousands of U.S. dollars)	
Cash and cash equivalents.....	\$ 108,348	\$ 99,390

Cash and cash equivalents increased \$8.6 million to \$108.3 million at March 31, 2016, from \$99.4 million at December 31, 2015.

In addition to the cash balances, we have a Cdn. \$20.0 million revolving demand facility available to be drawn to meet ongoing working capital requirements. Our principal cash requirements are for working capital and capital expenditures. Excluding deferred revenue, working capital at March 31, 2016 was \$122.2 million. Given the ongoing cash generated from operations and our existing cash and credit facilities, we believe there is sufficient liquidity to meet our current financial obligations of \$14.0 million.

The following table provides a summary of cash inflows and outflows by activity:

	<u>Three months ended March 31</u>	
	<u>2016</u>	<u>2015</u>
	(In thousands of U.S. dollars)	
Cash Inflow (Outflows) by activity		
Operating activities	\$ 8,787	\$ 23,615
Investing activities	(358)	(1,684)
Financing activities	373	190
Effects of exchange rates	156	(82)
Net cash inflows	8,958	22,039

Cash provided by operating activities

Cash generated by operating activities was \$8.8 million for the first quarter of 2016 compared to \$23.6 million for the same period in 2015. The increase in cash provided by operating activities of \$8.8 million was due primarily an increase in profit, equity based compensation and income tax expense.

Cash used in investing activities

Cash used in investing activities is driven by purchases of property and equipment primarily related to computer equipment for use in our hosting facilities and to support research and development requirements. For the three months ended March 31, 2016, cash used in purchase of property and equipment was \$0.4 million, a decrease of \$1.3 million from \$1.7 million in 2015. The decrease is due to timing of purchases as we expect to continue to invest in additional property and equipment to support the growth in our customer base and to take advantage of new and advanced technology.

Cash provided by financing activities

Cash provided by financing activities for the three months ended March 31, 2016 was \$0.4 million compared to \$0.2 million for the same period in 2015. These amounts represent proceeds received upon exercise of options.

Revolving Credit Facility and Term Loan

We have a Cdn. \$20.0 million revolving demand credit facility (the “**Revolving Facility**”). As of March 31, 2016, and as of the date of this MD&A, no amounts had been drawn against the **Revolving Facility**.

The interest rate on the Revolving Facility is RBC U.S. prime plus 0.50% per annum for U.S. dollar denominated amounts and RBC U.S. base rate plus 0.50% per annum for Canadian dollar denominated amounts. In the event our aggregate borrowings under the Revolving Facility exceed Cdn. \$2.5 million a borrowing limit applies that is based principally on our accounts receivable.

Contractual Obligations

The following table summarizes our contractual obligations as at March 31, 2016, including commitments relating to leasing contracts:

	Less than 1 year	1 to 5 years <small>(In thousands of U.S. dollars)</small>	More than 5 years	Total amount
Commitments				
Operating lease agreements	\$ 1,490	\$ 5,371	\$ 1,214	\$ 8,075
Financial Obligations				
Trade payables and accrued liabilities	5,875	–	–	5,875
Total Obligations	<u>\$ 7,365</u>	<u>\$ 5,371</u>	<u>\$ 1,214</u>	<u>\$ 13,950</u>

The following table summarizes our contractual obligations as at December 31, 2015, including commitments relating to leasing contracts:

	Less than 1 year	1 to 5 years <small>(In thousands of U.S. dollars)</small>	More than 5 years	Total amount
Commitments				
Operating lease agreements	\$ 1,462	\$ 5,097	\$ 1,374	\$ 7,933
Financial Obligations				
Trade payables and accrued liabilities	6,794	–	–	6,794
Total Obligations	<u>\$ 8,256</u>	<u>\$ 5,097</u>	<u>\$ 1,374</u>	<u>\$ 14,727</u>

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases (which have been disclosed under “*Liquidity and Capital Resources - Contractual Obligations*”), that have, or are likely to have, a current or future material effect on our consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Transactions with Related Parties

We did not have any transactions during the three months ended March 31, 2016 and 2015 that would be considered to be between the Company and a related party.

Financial Instruments and Other Instruments

We recognize financial assets and liabilities when we become party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial assets and liabilities, except for financial assets or liabilities at fair value through profit and loss, whereby the transactions costs are expensed as incurred.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk is primarily attributable to trade and other receivables.

The nature of our subscription based business results in payments being received in advance of the majority of the services being delivered; as a result, our credit risk exposure is low. As the majority of our revenues are earned over a period of time, the potential impact on our operating results is low as any uncollectible amounts would affect trade and other receivables and deferred revenue.

Currency risk

A portion of our revenues and operating costs are realized in currencies other than our functional currency, such as the Canadian dollar, Euros, the Hong Kong dollar and Japanese Yen. As a result, we are exposed to currency risk on these transactions. Also, additional earnings volatility arises from the translation of monetary assets and liabilities, investment tax credits recoverable and deferred tax assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the Consolidated Statements of Financial Position; the impact of which is reported as a foreign exchange gain or loss or as income tax expense for deferred tax assets and liabilities.

Our objective in managing our currency risk is to minimize exposure to currencies other than our functional currency. We do so by matching foreign denominated assets with foreign denominated liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. We believe that interest rate risk is low for our financial assets as the majority of investments are made in fixed rate instruments. We do have interest rate risk related to our credit facilities. The rates on our Revolving Facility are variable to bank prime rate.

Capital management

Our capital is composed of our common shares and shareholders' equity. Our objective in managing our capital is financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in sales, marketing and product development. Our senior management team is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support our growth strategy. The Board of Directors is responsible for overseeing this process. In order to maintain or adjust our capital structure, we could issue new shares, repurchase shares, approve special dividends or issue debt.

Critical Accounting Policies and Estimates

Revenue

We derive revenue from subscriptions for our product comprised of our hosted SaaS application and fixed term subscription licenses of our software products ("**On-premise licenses**"). In addition, we derive revenue from the provision of professional services including implementation services, technical services and training and, to a lesser degree, from maintenance and support services provided to customers with legacy perpetual licenses to our software products. Professional services do not include significant customization to, or development of, the software.

We commence revenue recognition when all of the following conditions are met:

- it is probable that the economic benefits of the transaction will flow to the entity;
- the amount of revenue can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

We provide our SaaS, On-premise licenses and professional services on a stand-alone basis or as part of a multiple element arrangement. Stand-alone sales occur through renewals of the SaaS or On-premise license and stand-alone purchases of the same or similar professional services on an ongoing basis by customers. When sold in a multiple element arrangement, the SaaS or On-premise license and the professional services elements are considered separate units of accounting as they have stand-alone value to the customer. The total consideration for the arrangement is allocated to the separate units of accounting based on their relative fair value and the revenue is recognized for each unit when the requirements for revenue recognition have been met. We determine the fair value of each unit of accounting based on the selling price when they are sold separately. When the fair value cannot be determined based on when it was sold, we determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Inputs considered in making this determination include the specific parameters and model used in determining the contract price, contracted renewal rates, the history of pricing, renewals and stand-alone sales activity of similar customers.

Subscription revenue related to the provision of SaaS or On-premise term licenses is recognized ratably over the contract term as the service or access to the software is delivered. The contract term begins when the service is made available or the license is delivered to the customer.

We enter into arrangements for professional services primarily on a time and materials basis. Revenue for professional services entered into on a time and material basis is recognized as the services are performed. In certain circumstances, the Company enters into arrangements for professional services on a fixed price basis. Revenue for fixed price arrangements is recognized by reference to the stage of completion of the contract, taking into consideration the cost incurred to date in relation to the total expected cost to complete the deliverable. If the estimated cost to complete a contract results in a loss on the contract, the loss is recognized immediately in profit or loss.

Maintenance and support services provided to customers with legacy perpetual licenses are sold as a single element arrangement with one unit of accounting. Revenue for these arrangements is recognized ratably over the term of the maintenance contract.

Judgment is applied in determining the components of a multiple element revenue arrangement. In allocating the consideration received among the multiple elements of a revenue arrangement, we must make estimates as to the fair value of each individual element. The selling price of the element on a stand-alone basis is used to determine the fair value. Where stand-alone sales do not exist, various inputs are used to determine the fair value. Changes to these inputs may result in different estimates of fair value for an element and impact the allocation of consideration and timing of revenue recognition.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where we operate and generate taxable income.

Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry-forward items. Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized.

The recognition of deferred tax assets requires that we assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. We consider the nature and carry-forward period of deferred tax assets, our recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on our operating results and lower future taxable income.

Investment tax credits recoverable

The recognition of investment tax credits recoverable requires that we assess future tax payable available to utilize the investment tax credits. We consider the carry-forward period of the investment tax credits, our recent earnings history and forecast of future earnings in performing this assessment. We determine the value of effort expended towards research and development projects that qualify for investment tax credits and calculate the estimated recoverable to be recognized. The allocation of direct salaries to qualifying projects is derived from time records and assessment by management. The actual investment tax credits claimed and realized may differ from the estimate based on the final tax returns and review by tax authorities.

Fair value of share-based payments

We use the Black-Scholes valuation model to determine the fair value of equity settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

Adoption of New Accounting Standards

Changes to standards and interpretations

Amendments to IAS 16 and IAS 38

In May 2014, the International Accounting Standards Board issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. They also introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments explain that an expected future reduction in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. These amendments became effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Controls and Procedures

Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The CEO and CFO have evaluated the design of the Company's disclosure controls and procedures at the end of the quarter and based on the evaluation, the CEO and CFO have concluded that the disclosure controls and procedures are effectively designed.

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate ICFR for the Company. Management, including the CEO and CFO, does not expect that the Company's ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

National Instrument 52-109 of the Canadian Securities Administrators requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially

affected, or are reasonably likely to materially affect, its internal control over financial reporting. The Company's management under the supervision of the CEO and CFO has evaluated the design of the Company's ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at March 31, 2016, management assessed the design of the Company's ICFR and concluded that such ICFR is appropriately designed and that there are no material weaknesses in the Company's ICFR that have been identified by management. Effective January 1, 2016 we changed our accounting system, and in order to accommodate the new system certain of our internal controls and processes were updated. Changes did not have a material effect and are not reasonably likely to materially affect our internal control over financial reporting.

Outstanding Share Information

As of March 31, 2016, our authorized capital consists of an unlimited number of common shares with no stated par value. Changes in the number of common shares, options, restricted share units and deferred shares units outstanding for the three months ended March 31, 2016 and as of May 4, 2016 are summarized as follows:

Class of Security	Number	Net issued	Number	Net issued	Number
	outstanding at December 31, 2015		outstanding at March 31, 2016		outstanding at May 4, 2016
Common shares	24,420,004	56,538	24,476,542	7,500	24,484,042
Stock Options	2,571,206	(16,538)	2,554,668	(7,500)	2,547,168
Restricted Share Units	89,999	58,588	148,587	-	148,587
Deferred Share Units	9,000	19,585	28,585	-	28,585

Our outstanding common shares increased by 56,538 shares in the first three months of 2016 due to 56,538 options exercised.

Our outstanding stock options decreased by 16,538 options during the first three months of 2016 due to the grant of 40,000 options less 56,538 options exercised. Each option is exercisable for one common share.

Our outstanding restricted share units increased by 58,588 during the first three months of 2016 due to the grant of 58,588 restricted share units. Our outstanding deferred share units increased by 19,585 during the first three months of 2016 due to the grant of 19,585 deferred share units. Upon vesting, each restricted share unit and deferred share unit can be paid out or settled in cash, common shares, or a combination thereof, as elected by the Compensation Committee of the Board of Directors.