



KINAXIS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

DATED: May 6, 2015

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, 2015. This MD&A has been prepared with an effective date of May 6, 2015.

This MD&A for the three month periods ended March 31, 2015 and 2014 should be read in conjunction with our interim consolidated financial statements and the related notes thereto for the three months ended March 31, 2015 and 2014 and our annual consolidated financial statements as at and for the year ended December 31, 2014. 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. 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 diluted earnings per share" and "Adjusted EBITDA". 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 interim consolidated financial statements and the related notes thereto for the three months ended March 31, 2015 and 2014 and our annual consolidated financial statements as at and for the year ended December 31, 2014. 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 "Results of Operations" 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 managements' 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. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Forward-looking statements are also subject to risks and uncertainties. In light of these risks, uncertainties and assumptions, readers should not place undue reliance on forward-looking statements. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors which include:

- risks related to managing our growth
- our dependence on customer retention and renewals
- our long sales cycles
- our reliance on recurring revenue
- fluctuations in quarterly operating results
- exchange rate fluctuations
- risks related to expanding our marketing and sales
- risks related to our ability to maintain the compatibility of our solutions with third-party applications
- risks related to our ability to adapt to rapid technological change
- risks related to our ability to meet our contractual commitments
- risks related to global economic conditions
- risks related to the security of customer information
- risks related to the protection of our intellectual property
- risks related to the complexity of our solutions
- competition in our industry and markets
- our reliance on key personnel
- risks related to our ability to continue to develop our direct sales force
- our reliance on third-party service providers
- the possibility of product defects
- risks related to international expansion

Although the forward-looking statements contained in this MD&A are based upon what our management believes are reasonable assumptions, these risks, uncertainties, assumptions and other factors 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.

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.

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 strong track record of cash flow generation and revenue and earnings growth. Our subscription and total annual revenues have grown respectively at a compound annual growth rate (CAGR) of 24% and 23% for the three years ending December 31, 2014. This growth is driven both by contracts with new customers and expansion of our solution and service engagements within our existing customer base.

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, and most recently, 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, 2015, our ten largest customers accounted for approximately 43% of our total revenues with no one customer accounting for greater than 10% 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. Historically, approximately 40% of subscription revenue growth comes from our existing customer base and our net revenue retention is greater than 100%. We continue to invest in developing our partner capabilities and in our technology. In November 2014, we released version 2014.4 of RapidResponse reflecting our ongoing investment in our product's scale and capabilities to support the needs of our expanding customer base.

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, 2014, 89% 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, more than 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. As an 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, including associated public company costs.

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, 2015 and 2014:

	Three months ended	
	March 31, 2015	March 31, 2014
	(In thousands of U.S. dollars, except earnings per share)	
Statement of Operations		
Revenue	\$ 19,711	\$ 15,623
Cost of revenue	5,805	4,829
Gross profit	13,906	10,794
Operating expenses	9,658	7,645
	4,248	3,149
Loss due to change in fair value of redeemable preferred shares.....	–	(179)
Foreign exchange (loss) gain	(479)	47
Net finance income (expense).....	24	(257)
Profit before income taxes	3,793	2,760
Income tax expense.....	1,405	803
Profit	\$ 2,388	\$ 1,957
Adjusted profit ⁽¹⁾	\$ 3,352	\$ 2,524
Adjusted EBITDA ⁽¹⁾	\$ 5,566	\$ 3,777
Basic earnings per share.....	\$ 0.10	\$ 0.15
Diluted earnings per share.....	\$ 0.10	\$ 0.10
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.13	\$ 0.13

	As at	
	March 31, 2015	December 31, 2014
	(In thousands of U.S. dollars)	
Total assets	\$ 112,390	\$ 91,209
Deferred revenue	58,051	37,518
Other non-current liabilities	98	109

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.

Non-IFRS Measurements

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,	
	2015	2014
	(In thousands of U.S. dollars)	
Statement of Operations		
Profit.....	\$ 2,388	\$ 1,957
Loss due to change in fair value of redeemable preferred shares	-	179
Share-based compensation	964	388
	<u>964</u>	<u>567</u>
Adjusted profit.....	<u>\$ 3,352</u>	<u>\$ 2,524</u>
Income tax expense	1,405	803
Depreciation	354	240
Foreign exchange loss (gain).....	479	(47)
Net finance (income) expense	(24)	257
	<u>2,214</u>	<u>1,253</u>
Adjusted EBITDA.....	<u>\$ 5,566</u>	<u>\$ 3,777</u>

Revenue

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

	Three months ended		2014 to
	March 31,		2015
	2015	2014	%
	(In thousands of U.S. dollars, except percentages)		
Revenue			
Subscription.....	\$ 15,408	\$ 11,320	36%
Professional services	4,018	4,001	0%
Maintenance and support	285	302	(6%)
Total revenue	<u>19,711</u>	<u>15,623</u>	<u>26%</u>

Total revenue for the first quarter of 2015 was \$19.7 million or an increase of 26% compared to the same period in 2014.

Subscription Revenue

Subscription revenue for the three months ended March 31, 2015 was \$15.4 million, up from \$11.3 million for the same period in 2014, for an increase of 36% or \$4.1 million. The increase in subscription revenue is due to revenue from contracts secured with new customers during the third and fourth quarters of 2014 and 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 2015 and 2014 was \$4.0 million. Professional services revenue growth was in line with the prior year due to timing of new customer project commencement engagements coupled with the completion of other customer deployment projects. In addition, our partners continue to play an increasing role in supporting new customer deployment.

Maintenance & support revenue

Maintenance & support revenue was \$0.3 million for both the first quarter of 2015 and 2014. We expect to see a decrease over time in support contracts with legacy customers with perpetual licenses.

Gross Profit

	Three months ended March 31,		2014 to 2015
	2015	2014	%
(In thousands of U.S. dollars, except percentages)			
Cost of revenue	\$ 5,805	\$ 4,829	20%
Gross profit	13,906	10,794	29%
Gross profit %	71%	69%	

Cost of revenue for the first quarter of 2015 increased \$1.0 million, or 20%, to \$5.8 million from \$4.8 million for the same period in 2014. The increase in costs was primarily attributable to increased headcount and related compensation costs to support active engagements and future growth of professional services activity, an increase in use of third-party service providers to support new deployments, and increased travel costs and billable expenses related to currently active projects. An increase in costs associated with the expansion of data centre capacity to support new customer engagements was also incurred. Gross profit for the three months ended March 31, 2015 was \$13.9 million compared to \$10.8 million for the same periods in 2014. Gross profit as a percentage of revenue increased to 71% in the first quarter ended March 31, 2015 from 69% in the first quarter ended March 31, 2014. The percentage increase in the first quarter of 2015 was due to the growth in subscription revenue in the period compared to the first quarter of 2014 while the growth in cost of revenue was lower in the first quarter of 2015.

Selling and Marketing Expenses

	Three months ended March 31,		2014 to 2015
	2015	2014	%
(In thousands of U.S. dollars, except percentages)			
Selling and marketing	\$ 3,799	\$ 3,053	24%
As a percentage of revenue	19%	20%	

Selling and marketing expenses for the first quarter of 2015 increased \$0.7 million, or 24%, to \$3.8 million from \$3.1 million in the first quarter of 2014. The increase in sales and marketing expenses for the first quarter of 2014 was due to higher commission expenses incurred in the first quarter of 2015 and increased sales and marketing headcount compared to the same period in 2014. As a percentage of revenue, selling and marketing expenses decreased 1% to 19% in the first quarter of 2015 due to the higher growth in total revenue in the period compared to the first quarter of 2014 while the growth in selling and marketing was lower in the first quarter of 2015. Selling and marketing expenses will vary from quarter to quarter due to the timing of marketing programs and events and the timing of closing of customer contracts.

Research and Development Expenses

	Three months ended		2014 to
	March 31,		2015
	2015	2014	%
(In thousands of U.S. dollars, except percentages)			
Research and development - gross	\$ 4,010	\$ 3,533	14%
Less: Investment tax credits.....	(339)	(574)	(41%)
Research and development	3,671	2,959	24%
As a percentage of revenue			
Gross.....	20%	23%	
Net	19%	19%	

Gross research and development expenses for the first quarter of 2015 increased \$0.5 million to \$4.0 million or 14% compared to \$3.5 million for the first quarter of 2014. The increase in research and development expenses was due to an increase in compensation and related costs from new hires. 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 decreased 41% in the first quarter to \$0.3 million compared to the same period in 2014. The decrease in investment tax credits earned in the first quarter of 2015 compared to the first quarter of 2014 is the result of the Company being public since June 2014 and no longer qualifying for the higher rate of credits. As a percentage of revenues, gross research and development expenses were 20% for the first quarter of 2015 compared to 23% for the same period in 2014, reflecting higher growth in revenue in the current period. Net research and development as a percentage of revenue for the first quarter of 2015 was 19% for both the first quarter of 2015 and 2014. This was due to higher product development expenses, offset by a decrease in investment tax credits earned compared to the same period in the previous year.

General and Administrative Expenses

	Three months ended		2014 to
	March 31,		2015
	2015	2014	2015
(In thousands of U.S. dollars, except percentages)			
General and administrative	\$ 2,188	\$ 1,633	34%
As a percentage of revenue	11%	10%	

For the first quarter of 2015, general and administrative expenses increased \$0.6 million, or 34%, to \$2.2 million from \$1.6 million for the same period in 2014. The increase in general and administrative expenses was due to an increase in share-based payments expense as well as external consulting fees. As a percentage of revenue, general and administrative expenses were 11% for the first quarter of 2015 and 10% for the same period in 2013 due to the increase in share-based payments and consulting costs.

Other Income and Expense

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

	Three months ended March 31,		2014 to 2015
	2015	2014	%
(In thousands of U.S. dollars, except percentages)			
Other income (expense)			
Loss due to change in fair value of redeemable preferred shares.....	\$ -	\$ (179)	(100%)
Foreign exchange (loss) gain.....	(479)	47	-(1)
Net finance income (expense)	24	(257)	-(1)
Total other expense.....	(455)	(389)	17%

Note:

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

For the three months ended March 31, 2015, total other expense was \$0.5 million compared to \$0.4 million for the first quarter of 2014. The increase is due to foreign exchange losses on monetary assets held in foreign currencies revalued against a strengthening US dollar, offset partially by a decrease in the first quarter of 2015 due to the non-cash fair value adjustment recorded in the same period in 2014 for the redeemable preferred shares which were converted to common shares at the time of our initial public offering in the second quarter of 2014 and a decrease in interest expenses that were incurred in the first half of 2014 on the term loan.

Income Taxes

	Three months ended March 31,		2014 to 2015
	2015	2014	2015
(In thousands of U.S. dollars, except percentages)			
Income tax expense			
Current	\$ 270	\$ 206	31%
Deferred	1,135	597	90%
Total income tax expense	1,405	803	75%

For the three months ended March 31, 2015, income tax expense of \$1.4 million compared to \$0.8 million for the same periods in 2014. The increase in income tax expense for the first quarter of 2015 compared to the first quarter of 2014 is due to a higher profit before income taxes in the first quarter of 2015 excluding the impact of the non-deductible loss on the redeemable preferred shares and a higher estimated effective tax rate due to an increase in non-deductible share-based compensation.

Profit

	Three months ended March 31,		2014 to 2015
	2015	2014	
	(In thousands of U.S. dollars, except percentages)		
Profit	\$ 2,388	\$ 1,957	22 %
Adjusted profit ⁽¹⁾	3,352	2,524	33 %
Adjusted EBITDA ⁽¹⁾	5,566	3,777	47 %
Basic earnings per share	0.10	0.15	
Diluted earnings per share	0.10	0.10	
Adjusted diluted earnings per share ⁽¹⁾	0.13	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, 2015 increased \$0.4 million to \$2.4 million or \$0.10 per basic share and diluted share, from \$2.0 million or \$0.15 per basic and 0.10 per diluted share for the same period in 2014. The increase in profit was primarily driven by higher operating profits. Adjusted EBITDA for the first quarter of 2015 was \$5.6 million, an increase of \$1.8 million from \$3.8 million for the corresponding period in 2014. The increase in Adjusted EBITDA in the three months ended March 31, 2015 is due to an increase in operating profits which was driven primarily by the increase in subscription revenue and higher gross margin.

Key Balance Sheet Items

	As at March 31, 2015	As at December 31, 2014
	(In thousands of U.S. dollars)	
Total assets	\$ 112,390	\$ 91,209
Total liabilities	62,226	44,572

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

Trade and other receivables

	As at March 31, 2015	As at December 31, 2014
	(In thousands of U.S. dollars)	
Trade and other receivables	\$ 15,328	\$ 17,023

Trade and other receivables were \$15.3 million at March 31, 2015, a decrease of \$1.7 million compared to \$17.0 million at December 31, 2014. 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

	As at March 31, 2015	As at December 31, 2014
	(In thousands of U.S. dollars)	
Investment tax credits receivable	\$ 1,816	\$ 1,974
Long-term investment tax credits recoverable	3,430	3,091

Investment tax credits receivable are the estimated refunds we anticipate receiving as a result of research and development that is considered qualified for investment tax credits. As of the closing of our initial public offering, we are no longer eligible for federal refundable investment tax credits. We remain eligible for non-refundable investment tax credits which will be earned at a lower rate resulting in higher research and development expenses going forward.

Investment tax credits receivable of \$1.8 million at March 31, 2015 were \$0.2 million lower compared to \$2.0 million at December 31, 2014. The decrease is due to foreign exchange losses on the refundable tax credits revalued against a strengthening US dollar. The refund relates to the 2013 tax year that remains outstanding in addition to refundable investment tax credits filed for 2014 for the period prior to our initial public offering. Long-term investment tax credits recoverable are the non-refundable portion of investment tax credits earned. The balance increased \$0.3 million to \$3.4 million at March 31, 2015 from \$3.1 million at December 31, 2014 due to estimated non-refundable credits earned during the first three months of 2015.

Deferred revenue

	As at March 31, 2015	As at December 31, 2014
	(In thousands of U.S. dollars)	
Current	\$ 42,330	\$ 35,740
Non-current	15,721	1,778
	<u>58,051</u>	<u>37,518</u>

Deferred revenue at March 31, 2015 was \$58.1 million, an increase of \$20.6 million compared to \$37.5 million at December 31, 2014. 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 is due mainly due to the receipt of prepayment of a multi-year subscription of approximately \$20.0 million in the first quarter of 2015 as well as other new subscription arrangements. Deferred revenue relating to subscription term periods beyond one year totaled \$15.7 million at March 31, 2015.

Summary of Quarterly Results

The following table summarizes selected results for the eight most recent completed quarters to March 31, 2015.

	Three months ended							
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Revenue:								
Subscription.....	\$ 15,408	\$ 13,852	\$ 13,302	\$ 12,645	\$ 11,320	\$ 10,926	\$ 10,149	\$ 9,853
Professional services.....	4,018	4,694	4,081	4,979	4,001	5,071	4,934	5,404
Maintenance and support.....	285	274	298	306	302	322	368	463
	19,711	18,820	17,681	17,930	15,623	16,319	15,451	15,720
Cost of revenue	5,805	5,433	4,855	5,628	4,829	4,603	4,556	4,568
Gross profit	13,906	13,387	12,826	12,302	10,794	11,716	10,895	11,152
Operating expenses	9,658	10,763	8,697	9,934	7,645	7,802	6,868	7,689
	4,248	2,624	4,129	2,368	3,149	3,914	4,027	3,463
Loss due to change in fair value of redeemable preferred shares.....	-	-	-	(6,581)	(179)	(2,665)	(5,683)	(5,972)
Foreign exchange (loss) gain.....	(479)	(465)	(262)	81	47	(8)	103	(74)
Net finance income (expense).....	24	17	3	(253)	(257)	(13)	16	15
Profit (Loss) before income taxes.....	3,793	2,176	3,870	(4,385)	2,760	1,228	(1,537)	(2,568)
Income tax expense	1,405	1,592	1,358	889	803	2,068	1,244	964
Profit (Loss)	\$ 2,388	\$ 584	\$ 2,512	\$ (5,274)	\$ 1,957	\$ (840)	\$ (2,781)	\$ (3,532)
Loss due to change in fair value of redeemable preferred shares.....	-	-	-	6,581	179	2,665	5,683	5,972
Share-based compensation.....	964	845	794	631	388	345	204	217
	964	845	794	7,212	567	3,010	5,887	6,189
Adjusted profit ⁽¹⁾	\$ 3,352	\$ 1,429	\$ 3,306	\$ 1,938	\$ 2,524	\$ 2,170	\$ 3,106	\$ 2,657
Income tax expense	1,405	1,592	1,358	889	803	2,068	1,244	964
Depreciation.....	354	334	317	260	240	218	209	207
Foreign exchange loss (gain).....	479	465	262	(81)	(47)	8	(103)	74
Net finance (income) expense	(24)	(17)	(3)	253	257	13	(16)	(15)
	2,214	2,374	1,934	1,321	1,253	2,307	1,334	1,230
Adjusted EBITDA ⁽¹⁾	\$ 5,566	\$ 3,803	\$ 5,240	\$ 3,259	\$ 3,777	\$ 4,477	\$ 4,440	\$ 3,887
Basic earnings (loss) per share.....	\$ 0.10	\$ 0.02	\$ 0.11	\$ (0.34)	\$ 0.15	\$ (0.05)	\$ (0.16)	\$ (0.21)
Diluted earnings (loss) per share.....	\$ 0.10	\$ 0.02	\$ 0.10	\$ (0.34)	\$ 0.10	\$ (0.05)	\$ (0.16)	\$ (0.21)
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.13	\$ 0.06	\$ 0.13	\$ 0.09	\$ 0.13	\$ 0.09	\$ 0.11	\$ 0.10

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 quarters due to acquisition of new customers and expansion of existing customers. Quarterly professional services revenue decreased between 2013 and 2015 due to a decline in revenue related to a significant engagement with an existing customer that ended in December 2013. Professional services revenue varies quarter to quarter due to the size, timing and scheduling of customer

engagements. Maintenance and support revenue has declined over the quarters due to support contracts with legacy customers with perpetual licenses that have lapsed and the migration of a specific customer to a subscription model in the latter half of 2013. Cost of revenue has increased as we invest in capacity to support the current and future growth in our business with gross margin of approximately 70% 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 have 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. Our quarterly profit has been impacted significantly by the fair non-cash 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>2015</u>	<u>As at December</u> <u>31, 2014</u>
	(In thousands of U.S. dollars)	
Cash and cash equivalents.....	\$ 78,764	\$ 56,725

Cash and cash equivalents increased \$22.1 million to \$78.8 million at March 31, 2015, from \$56.7 million at December 31, 2014. The increase is primarily due to the receipt of prepayment of a multi-year subscription of approximately \$20.0 million as well as other subscription arrangements.

In addition to the cash balances, we have a Cdn.\$5.0 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, 2015 was \$94.2 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 and planned financial obligations.

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

	<u>Three months ended March 31</u>	
	<u>2015</u>	<u>2014</u>
	(In thousands of U.S. dollars)	
Cash Inflow (Outflows) by activity		
Operating activities.....	\$ 23,615	\$ 344
Investing activities.....	(1,684)	(889)
Financing activities.....	190	5,865
Effects of exchange rates.....	(82)	64
Net cash inflows (outflows).....	<u>22,039</u>	<u>5,384</u>

Cash provided by (used in) operating activities

Cash generated by operating activities was \$23.6 million for the first quarter of 2015 compared to \$0.3 million for the same period in 2014. The increase in cash provided by operating activities of \$23.3 million was due primarily to the receipt of prepayment of subscription arrangements and the increase in net income, share based compensation and income tax expense.

Cash provided by (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 period ended March 31, 2015, cash used in purchase of property and equipment was \$1.7 million, an increase of \$0.8 million from \$0.9 million in 2014. 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 (used in) financing activities

Cash provided by financing activities for the year ended March 31, 2015 was \$0.2 million comprised of proceeds received upon exercise of options. The cash provided by financing activities in the same period in 2014 was \$5.9 million comprised of \$0.9 million of proceeds from shares issued for cash and upon exercise of options and \$5.0 million draw in on the term debt facility to fund the Part VI.1 tax liability resulting from the shares repurchased in the fourth quarter of 2013.

Revolving Credit Facility and Term Loan

On December 18, 2013, we entered into a Cdn.\$5.0 million revolving demand credit facility (the “**Revolving Facility**”). As of March 31, 2015, no amounts had been drawn against the Revolving Facility.

The interest rate on the Revolving Facility is RBC U.S. prime plus 1% per annum for U.S. dollar denominated amounts and RBC U.S. base rate plus 1% per annum for Canadian dollar denominated amounts. In the event our aggregate borrowings under the Revolving Facility exceed Cdn. \$0.5 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, 2015, including commitments relating to leasing contracts:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total amount</u>
	(In thousands of U.S. dollars)			
Commitments				
Operating lease agreements	\$ 1,071	\$ 5,706	\$ 2,447	\$ 9,224
Financial Obligations				
Trade payables and accrued liabilities	4,077	–	–	4,077
Total Obligations	<u>\$ 5,148</u>	<u>\$ 5,706</u>	<u>\$ 2,447</u>	<u>\$ 13,301</u>

The following table summarizes our contractual obligations as at December 31, 2014, including commitments relating to leasing contracts:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total amount</u>
	(In thousands of U.S. dollars)			
Commitments				
Operating lease agreements	\$ 1,206	\$ 5,498	\$ 2,658	\$ 9,362
Financial Obligations				
Trade payables and accrued liabilities	6,945	–	–	6,945
Total Obligations	<u>\$ 8,151</u>	<u>\$ 5,498</u>	<u>\$ 2,658</u>	<u>\$ 16,307</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, 2015 and 2014 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 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.

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 software-as-a-service (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

IFRS 9: Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

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

In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2017 and allows early adoption. The Company does not intend to adopt this standard at this time and is currently evaluating the impact of adopting this standard 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, 2015, 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. There have been no changes in the Company's internal control over financial reporting during the period that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Outstanding Share Information

As of March 31, 2015, 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, 2015 and as of May 6, 2015 are summarized as follows:

Class of Security	Number outstanding at December 31, 2014	Net issued	Number outstanding at March 31, 2015	Net issued	Number outstanding at May 6, 2015
Common shares	23,739,342	67,546	23,806,888	1,756	23,808,644
Stock Options	2,170,802	77,579	2,248,381	(1,756)	2,246,625
Restricted Share Units	53,333	95,000	148,333	-	148,333
Deferred Share Units	-	9,000	9,000	-	9,000

Our outstanding common shares increased by 67,546 shares in the first three months of 2015 due to 67,546 options exercised.

Our outstanding stock options increased by 77,579 options during the first three months of 2015 due to the grant of 147,000 options less 67,546 options exercised and 1,875 options forfeited or expired. Each option is exercisable for one common share.

Our outstanding restricted share units increased by 95,000 during the first three months of 2015 due to the grant of 95,000 restricted share units. Our outstanding deferred share units increased by 9,000 during the first three



months of 2015 due to the grant of 9,000 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.